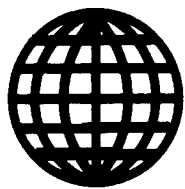


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GENERAL

Post Cold War 'Contradictions' in West Viewed

HK0302054392 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 2, 13 Jan 92 pp 24-25

[Article by Wan Guang (8001 0342): "Contradictions in the West are Intensifying"]

[Text] Since the drastic changes in the Soviet Union in 1991, the contradictions between Western countries have been on the rise. This has become an important aspect of far-reaching significance in the development of the rapidly changing international situation.

Background Against Which Western Contradictions Are on the Rise

The drastic change in the Soviet Union led to changes in the strategic situation that existed for a long time after the end of World War II. In the past, under the situation of military confrontation between the two major military blocs, the United States organized NATO, the U.S.-Japan security treaty, and other military groups to deal with the Soviet Union, which was its strong rival, and consolidated "Western unity" through "jointly resisting the threat from the Soviet Union," thus constraining the development of the conflicts within the Western world. At present, the Soviet Union's drastic decline and disintegration, the drastic changes in Eastern Europe, and the disbandment of the Warsaw Pact led to the thorough collapse of the bipolar structure. The West no longer was faced with the Soviet Union as a rival as in the past; the foundation for NATO, the U.S.-Japan security treaty, and other Western military groups was shaken; and the internal contradictions in the West became salient.

Fundamentally speaking, the development of the internal contradictions in the West is derived from the unevenness of capitalist economic and political development. Because Germany, Japan, and Italy were defeated in World War II and Britain and France also suffered heavy losses in the war, the United States held absolute superiority in the West in the early postwar period. However, with the gradual restoration and development of Western European countries and Japan, the status of the United States continued to be weakened relatively. The major and far-reaching impact of the Soviet Union's disintegration on the world situation will also find expression in the changes in the balance of power within the Western world.

The United States is the sole superpower in the contemporary world, and this has boosted its influence and status in the world. However, this will not change the United States' general tendency to decline relatively. At present, the United States is facing serious economic and social crises. There is strong domestic pressure for the administration to pay more attention to domestic issues and to reduce its overseas commitments and military presence.

Germany achieved reunification amid the drastic changes in Eastern Europe. Obviously, Germany endeavored to "digest" its eastern region in the recent period and held a superior position in expanding its influence in Eastern Europe and the western republics of the former Soviet Union by using its economic strength and its traditional influence in Eastern Europe. In Europe, Germany may gain the greatest benefit. In a certain period, Western Europe was affected by the disintegration of the Soviet Union and the drastic changes of Eastern Europe, but Western Europe has also got the opportunity of building "strong and large Europe." Because the influence of Germany is growing, further changes will occur in the balance of strength among the Western European countries, and the contradictions among them will also develop. While the United States and Europe were busy coping with the disintegration of the Soviet Union, the drastic changes in Eastern Europe, and the violent turbulence in the European situation, Japan also further expanded its influence in the Asia-Pacific region and strove for a superior position in this region. It seems that the status of the United States in Europe and in the Asia-Pacific region will be further weakened, while the status of Germany, Western Europe, and Japan will become stronger.

Development of Western Contradictions

The contradictions among the Western countries are further developing from the economic field to the political and even military fields.

In the economic field, the United States, Western Europe, and Japan are all organizing and strengthening their own economic groups and are involved in fierce economic competition. They are not only contending for each other's markets and the markets in the developing countries, but are also contending for the markets in Eastern Europe and in various republics of the former Soviet Union.

The United States and Europe are contending for the dominating position in Europe. The European Community is quickening the process of its integration, and has reached an agreement with the European Free Trade Association on setting up the European economic zone and has concluded association agreements with three Eastern European countries, namely, Poland, Hungary, and Czechoslovakia. In December 1991, the EC summit reached agreements on the economic and currency union treaty and the political union treaty. Reportedly, a U.S. Government official said: "All this has caused panic in Washington." People in Washington are afraid that "Washington which has had dominating influence in Europe since the end of World War II will be reduced to the status of an outsider." The Western European countries are also striving to play a leading role in dealing with such European affairs as the civil war in Yugoslavia. On the other hand, the United States is striving to monopolize affairs in the Gulf and in the Middle East after the end of the Gulf war by excluding Western Europe and Japan, but Western Europe and Japan are

also trying to maintain or even expand their influence in this region. The European countries, in particular, Germany, France, and Britain are contending for the dominating status in Europe. Germany is quickening the pace of seeking the dominating position in Europe. The agreements reached by the recent EC summit "unmistakably bore the 'made-in-Germany' stamp." The disputes between the Western European countries in the process of advancing the EC's integration process, their contradictions over the approach to Yugoslavia's disintegration, and their contention for influencing Eastern Europe and the republics of the former Soviet Union all reflect their contention for the leading position in European affairs and their struggle in the redelimitation of spheres of influence.

The United States and Japan are contending for the dominating position in the Asia-Pacific region, and Japan is seeking the status of being a political power.

In the course of building the "new world order," Western Europe and Japan are trying to share the world leadership with the United States, thus redelimiting their spheres of influence in the world. After the Gulf war, the United States explicitly called for setting up a U.S.-led "new world order," and the Western European countries and Japan indicated that they would join the United States in building the "new world order." In September 1991, German Foreign Minister Genscher said at the UN General Assembly: "We hold that new Europe should perform its duties in the world scope," and "this global task should be fulfilled by the North America-Europe-Japan troika." In December 1991, Japanese Prime Minister Miyazawa said: "We should jointly bear the global commitments," and Japan and the United States "must join hands in building the world's new peaceful order."

In the military field, after the Gulf war, Western European countries put forward a joint defense policy, and France and Germany called for setting up an independent European defense. This has caused strong discontent and has been upsetting to the United States. The recent NATO summit reiterated NATO's "nucleus role" and reached an agreement on formulating NATO's new strategy and role. At the same time, it also admitted that Europe should develop its own defense. This was a compromise between the United States and Europe, but the profound contradictions between the two sides were not settled. In December 1992, the EC summit decided that the EC will not only become an economic and political union, but will also develop into a defense union. The Western European Union will be a component part of the European political union, and will be responsible for drafting and executing the defense decisions and policies of the European political union.

United States' Apprehensions

Faced with the development of conflicts within the West, Washington has felt that after the drastic decline and disintegration of the Soviet Union, the rise of Germany,

Japan, and "new Europe" will pose a serious challenge against the world leading position of the United States. In August 1991, Bush pointed out in his "U.S. National Security Strategy" report to Congress: "A crucial issue in the political field is that the United States' role as leader of the alliance and the exact definition of the alliance will be affected by the weakening of the threats from the Soviet Union, especially in Europe." The report added: In the "transitional period" between "the removal of the old and the forming of the new," the most important strategic development of the farthest-reaching influence is that "Japan and Germany will become economic and political leaders" and will play a "greater political role."

Washington is worried that after the Western countries become rivals in the fierce economic competition, the Western alliance itself will be affected. In November 1991, Bush said after talking with senior EC officials: "We must prevent such a danger: The old allies in the cold war will become new economic rivals and the cold-war warriors will become trade rivals." Bush pointed out: "Signs on both sides of the Atlantic Ocean show that such events may occur."

Washington has noted that the drastic changes in the Soviet Union and Eastern Europe have brought about changes in the world's balance of power favorable to the United States, but the changes in the balance of power inside the West are unfavorable to it. The above-mentioned "U.S. National Security Strategy" report said: "In this century, Europe can hold the key to the global balance more easily than other regions." "After the EC forms a unified market by the end of 1992, there will be a revolution in Western relations, and this revolution will be of strategic importance similar to the revolution in the East (referring to the drastic changes in the Soviet Union and Eastern Europe)."

Future Tendencies

Of course, when seeing the rise of the Western contradictions, we should also note the other side of coordination and cooperation in the West. After Eastern Europe and the Soviet Union began to undergo drastic changes in 1989, the G-7 summits in the past few years have strengthened coordination in promoting changes in Eastern Europe and the Soviet Union, intensifying the implementation of the "peaceful evolution" strategy against the socialist countries, increasing pressure and interference in developing countries in an attempt to build a "new world order" dominated by the Western politico-economic pattern and values. The Western powers can still reach compromises in the course of coordinating their political and military relations. The fiercer their economic competition, the deeper their mutual economic infiltration and interdependence will become. So they still need such coordination. This factor will constrain the intensification of the Western contradictions.

Western contradictions and struggles will undergo a process of development. At present, the balance of strength between the United States and other Western powers is uneven. Although Germany, Western Europe, and Japan are trying to share the "world duties" with the United States, it will still take time to turn themselves into the world's exact "poles."

In the future tendency, however, the contradictions and struggles between the Western countries, especially between the United States, Germany, Western Europe, and Japan, will certainly develop further. The Western contradictions will gradually develop into a major factor among others that affect the overall world situation.

Status of CPC Leaders' Children Outlined

HK3004024492 Hong Kong TANGTAI in Chinese
No 13, 15 Apr 92 pp 53-58

[Data: "Conditions of Present, Previous CPC Leaders' Children"]

[Text] Explanation:

1. The names on this list are confined to children of some high ranking cadres known to the outside world; the list is not and could not be exhaustive. Therefore, certain high ranking cadres may have children not known to the outside world and not listed in these tables. Children not sufficiently well-known have also been deleted from the list in the editing process.

2. The first [parent] generation listed in the tables are or were all cadres at or above Grade 9. This is a little narrower than the usual definition of "high ranking cadres" (at or above Grade 13), because the wider the scope the harder it would be to maintain accuracy.

3. In China it is very common for sons' surnames to differ from their fathers' (because of war or domestic turmoil such as the "Cultural Revolution"). Children of

high ranking cadres will be listed in the tables only when the relationship can be ascertained. In some cases, we have excluded names from the list because the relationship could not be ascertained, even if there have been strong rumors about such a relationship.

4. The official positions of high ranking cadres' children as listed in the table are those held at the end of 1991.

5. The table divides the high ranking cadres and their children into three generations. The standards used to determine their ages have not been very accurate. There has been no verification on the precise age of each person. Therefore, there may be discrepancies for some individuals. The tables are aimed at providing an overall picture. It may be rough and unpolished, but the outlines are clear.

6. TANGTAI welcomes any suggestions or new information concerning the tables.

Sources of information: Most of the table information is supplied by Mr. Li Ku-cheng [2621 6253 1004], Kao Hsin [7559 2450], and Ho Pin [0149 7340]. The rest comes from TANGTAI's library.

Status of Presently Living Leaders' Children

Over 70	55-70	Under 55	Relation	Current Position
Deng Xiaoping		Deng Pufang	son	China Welfare Fund for the Handicapped Executive Director
		Deng Lin	daughter	China Oriental Art Exchange Association President
		Deng Nan	daughter	State Science and Technology Commission Deputy Director
		Zhang Hong	Deng Nan's husband	Chinese Academy of Sciences Bureau Director
		Deng Zhifang	son	China International Trust and Investment Corporation [CITIC] Assistant General Manager
		Deng Rong	daughter	Deng Xiaoping's secretary
		He Ping	Deng Rong's husband	PLA General Staff Department Armament Department Director (He Biao, member of Central Advisory Commission, is his father)
Chen Yun		Chen Yuan	son	People's Bank of China Vice President
		Chen Fang	son	Beijing Handicraft and Art Company General Manager
		Chen Weili [0251 0500]	daughter	Chinese Creative Technology Investment Company Founder (alias Weili [0251 5461])
		Chen Weihua	daughter	A Central Organization Department unit Deputy Director
Yang Shangkun		Yang Shaojing	son	A State Commission of Science, Technology, and Industry for National Defense research institute Director
		Yang Shaoming	son	CPC Central Party Literature Research Center Deputy Director
		Yang Li	daughter	China Trust and Investment Company
		Wang Xiaochao	son-in-law	Former Poly Incorporation Manager; now studying in Britain
Wang Zhen		Wang Bing	son	Ministry of Aeronautics and Astronautics
		Wang Jun	son	CITIC Assistant General Manager
		Wang Zhi	son	Great Wall Computer Group General Manager

Over 70	55-70	Under 55	Relation	Current Position
	Ke Yang		nominal daughter	Writer
	He Jingzhi		Ke Yan's husband	Acting Cultural Minister
Bo Yibo		Bo Xiyong	son	China Federation of Automobile Industry Vice President
		Bo Xilai	son	Dalian City CPC Committee Standing Committee Member, also city vice mayor
		Bo Xicheng	son	Director of Beijing Municipality Tourism Bureau
		Zheng Yaowen	son-in-law	Foreign Affairs Ministry African Department Head
Peng Zhen		Fu Rui	son	Guangdong Provincial CPC Committee Standing Committee Member and Committee Organization Department Head
		Fu Yang	son	Beijing law firm Person-in-Charge
		Fu Liang	son	A foreign-capital firm Cadre
		Fu Yan	daughter	A foreign-capital firm Manager
Nie Rongzhen		Nie Li	daughter	State Commission of Science, Technology, and Industry for National Defense Deputy Director, Major General
	Ding Henggao		son-in-law	State Commission of Science, Technology, and Industry for National Defense Director, Lieutenant General
Deng Yingchao				
Li Peng			adopted son	State Council premier; son of CPC martyr Li Shuoxun
	Li Xiaopeng		Li Peng's son	Ministry of Energy Resources Electricity Research Institute Engineer
	Li Xiaoyong		Li Peng's son	Formerly Armed Police Corps Major
	Li Xiaolin		Li Peng's daughter	Beijing Power Supply Bureau Engineer
Li Xiannian		Liu Yazhou	son-in-law	Writer
Song Renqiong		Song Binbin	daughter	
Qiao Shi		Qiao Xiaodong	son	
Qin Jiwei	Qin Tian		son	PLA Army- or Divisional-Level cadre
Xi Zhongxun		Xi Jinping	son	Fuzhou City CPC Committee Secretary
		Xi Jinning	son	Shaanxi Provincial CPC Committee Organization Department Deputy Head
		Xi Yuanping	son	Living in Hong Kong
Hu Qiaomu		Hu Shiyong	son	Arrested on charges of economic crimes but paroled; present whereabouts unknown
Deng Liqun		Deng Yingtao	son	Chinese Academy of Social Sciences Rural Development Research Institute Deputy Director
Zhao Ziyang (over 70)		Zhao Dajun	son	
		Zhao Erjun	son	
		Zhao Nansheng	daughter	Beijing Great Wall Hotel Public Relations Manager
		Liang Yibei	son	
		Zhao Wujun	son	
Yao Yilin		Yao Mingwei	son	Ministry of Machine-Building and Electronics International Cooperation Department Head
		Wang Qishan	son-in-law	China Construction Bank Vice President
Wan Li		Wan Boao	son	State Physical Culture and Sports Commission International Department Head
		Wan	son	CITIC Public Relations Manager Zhongxiang

Over 70	55-70	Under 55	Relation	Current Position
		Wan Jifei	son	Beijing Municipal Commission of Foreign Economic Relation and Trade Deputy Director
Zhang Aiping	Zhang Zhikai		daughter	Yantai City Economic Commission Director
	Yu Zhengsheng		son-in-law	Qingdao City CPC Committee Deputy Secretary, also city mayor
Wang Bingqian		Wang Fei	son	Shanxi Province Economic Commission Director
Gu Mu		Liu Liyuan	son	Public Security Ministry Shenzhen Armed Police Corps Divisional Commander
Ngapoi Ngawang Jigme		Renqing	son	Tibet Tourism Bureau Director
	Tudao Doje		son	Tibet Autonomous Regional People's Government Vice Chairman
		Jigme [2516 5019]	son	Involved in Tibetan Independence Movement in the United States
		Danzim Jigme	son	Tibet Military District Major
		Jinyuan [2516 3293]	son	Beijing Foundation for Aid to Tibet Office Director (Ngapoi Ngawang Jigme also has seven daughters, who are omitted here as none hold a high official position)
Xiao Jingguang	Xiao Congci		son	Shanxi Provincial CPC Committee Secretary
Yu Wen	Sun Xiaoyu		son	State Council Office of Taiwan Affairs Deputy Director

Status of Deceased CPC Leaders' Children

		Relation	Current Position
Mao Zedong	By first wife Yang Kaihui:		
	Mao Anying	son	Died in War to Resist U.S. Aggression and To Aid Korea
	Mao Anqing	son	Formerly Central Bureau for Translation of Marx-Engels-Lenin-Stalin's Works Translator
	Shao Hua	daughter-in-law	Chinese People's Political Consultative Conference [CPPCC]
	Mao Xinyu	grandson	Mao Anqing's son; graduated from Chinese People's University History Department
	Mao Anlong	son	Died in Shanghai before liberation
	By second wife He Zizhen:		
	Mao Anhong	son	Disappeared before the Long March
	By third wife Jiang Qing:		
	Li Ne	daughter	
	Wang Jingqing	son-in-law	Li Ne's husband; the couple has a daughter: Wang Xiaozhi
	Wang Hairong	niece	State Council Councillor's Office Deputy Director
Liu Shaoqi	By first wife He Baozhen:		
	Liu Yunbin	son	
	Liu Aiqin	daughter	
	Liu Yunruo	son	
	By second wife Xie Fei:		
	By third wife Wang Qian:		
	Liu Tao	son	
	Liu Yunzhen	daughter	

POLITICAL

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		Relation	Current Position
	By fourth wife Wang Jian:		
	By fifth wife Wang Guangmei:		
	Liu Pingping	daughter	China Food Research Institute Director (present name Wang Qing)
	Liu Yuanyuan	daughter	Henan Province Vice Governor (present name Liu Yuan)
	Liu Tingting	daughter	
	Liu Xiaoxiao [1420 1420]	daughter (alias Xiaoxiao [3469 3469])	
	Liu Weiming	nephew	Guangdong Province Vice Governor
Zhou Enlai	Li Peng	adopted son	CPC martyr Li Shuoxun's son; State Council Premier
	Peng Shilu	adopted son	CPC martyr Peng Pai's son; China State Shipbuilding Corporation Assistant General Manager
Zhu De	Zhu Min	daughter	Beijing Normal University Foreign Language Department Head, and a University cadre
Chen Yi	Chen Haosu	son	Former Radio, Films, and Television Vice Minister; now China People's Association for Friendship With Foreign Countries Vice President
	Chen Danhuai	son	A combined arms army Deputy Commander
	Chen Xiaolu	son	International Strategic Problems Institute Researcher; Su Yu's son-in-law
	Chen Xiaoshan	daughter	Foreign Affairs Ministry Department Head
He Long	He Pengfei	son	PLA General Staff Headquarters Armament Department Head; Major General
	He Jiesheng	daughter	Writer
	He Liming	daughter	Former Everbright Industrial Corporation Administrative Department Secretary
Ye Jianying	Ye Xuanaping	son	China People's Political Consultative Conference Vice Chairman
	Ye Xuanning	son	People's Liberation Army [PLA] General Staff Headquarters Liaison Department Head
	Ye Chumei	daughter	State Commission of Science, Technology, and Industry for National Defense Science and Technology Committee Deputy Director
	Ye Xiangzhen	daughter	Film director (Ling Zi)
	Wu Xiaolan	daughter-in-law	Ye Xuanping's wife; Shenzhen City People's Congress Standing Committee Vice Chairman
	Zou Jiahua	son-in-law	State Council Vice Premier
Lin Biao	Lin Liheng	daughter	working at Chinese Academy of Social Sciences History Department
	Li Hanxiong	nephew	Former Construction Minister, dismissed in 1991; present position unknown
Lin Boqu	Lin Yongsan	son	Inner Mongolia Autonomous Region Vice Chairman
Tao Zhu	Tao Siliang	daughter	CPC Central United Front Work Department Sixth Bureau Head
	Li You	son-in-law	Writer
Liao Chengzhi	Liao Hui	son	State Council Overseas Chinese Affairs Office Director
Kong Yuan	Kong Dan	son	Hong Kong Everbright Industrial Corporation Party Committee Secretary
Li Weihai	Li Tieying	son	Son of Li Weihai and Jin Weiying, Deng Xiaoping's former wife; now State Councillor

		Relation	Current Position
	Li Tielian	son	Beijing Municipal Commission for Restructuring the Economy Director
Huang Huoqing	Huang Chengyi	son	Energy Resources Minister
Qiao Guanhua	Qiao Zonghuai	son	PRC Ambassador to Finland
Jiang Nanxiang	Jiang Zhuping	son	Civil Aviation Administration of China Head
Zeng Shan	Zeng Qinghong	son	CPC Central Committee General Office Deputy Director
	Wu Shaozu	son-in-law	Wu Yunfu's son; State Physical Culture and Sports Commission Director
Hu Yaobang	HuDeping	son	CPC Central United Front Work Department Fifth Bureau Head
	Liu Hu	son	Former Ministry of Foreign Economic Relation and Trade Deputy Bureau Chief
	Hu Deming	son	University lecturer in Beijing
	Li Heng	daughter	CHINESE INTERNAL MEDICINE journal editor
Jia Tingsan	Jia Chunwang	son	Minister of State Security
Li Fuchun	Li Changan	son	State Council General Office Deputy Secretary General
He Changgong	He Quan	son	A PLA General Staff Headquarters Department Deputy Head
Ulanhu	Buhe	son	Inner Mongolia Autonomous Region CPC Committee Deputy Secretary and Regional Government Chairman
	Zhu Lan Qi Qi Ke [3796 5695 3825 3825 2688]	Buhe's wife	Inner Mongolian Broadcasting Bureau Deputy Chief
	Wu Keli	son	Great Wall Industrial Corporation Assistant General Manager
	Wu Jie	son	Shanxi Province Vice Governor
	Yun Shufen	niece	Inner Mongolia Autonomous Region CPPCC Committee Vice Chairman
	Yun Zhaoguang	nephew	Inner Mongolia Autonomous Region CPPCC Committee Vice Chairman
Jia Zhenfu	Jia Qinglin	son	Fujian Province Governor
Luo Ruiqing	Luo Yuping	daughter	PLA General Staff Headquarters Medical Department Outpatient Section Person-in-Charge
Ke Lin	Ke Xiaoagang	son	XINHUA NEWS AGENCY Macao Branch Deputy Director
Wang Jinmei	Wang Naizheng	son	Jilin Province Military District Deputy Commander
	Wang Naien	son	Shanghai Municipal Traffic Commission Party Committee Secretary
Liu Zhidan	Liu Lizhen	son	Shaanxi Provincial People's Congress Standing Committee Vice Chairman
Wang Yifei	Wang Jiguang	son	State Council International Studies Center Researcher
Ye Ting	Ye Zhengming	son	Shenzhen Science and Technology Commission Director
	Ye Zhengda	son	State Commission of Science, Technology, and Industry for National Defense Science and Technology Committee Deputy Director; Lieutenant General
	Ye Huaming	son	Shenzhen Advanced-Science Laser Company President
Yan Baohang	Yan Mingfu	son	Civil Affairs Vice Minister
Zou Taofen	Zou Jiahua	son	State Council Vice Premier
	Zou Jingmeng	son	Head of State Meteorological (that is Zou Administration Jialiu)
Peng Pai	Peng Shilu	son	China State Shipbuilding Corporation Assistant General Manager
Jiang Shangqing	Jiang Zemin	adopted son	CPC Central Committee General Secretary

		Relation	Current Position
	Jiang Mingkang	grandson	
	Jiang Miankang	grandson	
Guo Xiangsheng	Guo Shuyan	son	Hubei Province Governor

QIUSHI on CPC Leadership, Multiparty System

HK1203045392 Beijing QIUSHI in Chinese No 1, 1
Jan 92 pp 20-26

[Article by Wu Daying (0702 1129 5391) and Xu Gongmin (1776 0501 2404) of the Political Science Institute of the Chinese Academy of Social Sciences: "Antagonism Between CPC Leadership and Bourgeois Multiparty System"]

[Text] In his speech to the rally to celebrate the 70th anniversary of the founding of the CPC, Comrade Jiang Zemin unequivocally pointed out that the system of multiparty cooperation and political consultation under the leadership of the CPC must be upheld and perfected, the leadership of CPC must not be weakened or negated, and the Western multiparty system must not be practiced, regarding this as a basic requirement of socialist politics with Chinese characteristics. Seriously studying Comrade Jiang Zemin's speech, reviewing why the bourgeois multiparty system cannot work in China, and studying why Communist Party leadership is the fundamental guarantee for China to realize socialist modernization are of important theoretical and practical significance to building socialist politics with Chinese characteristics.

Bourgeois Multiparty System Cannot Work in China

The emergence of political parties in China was closely linked to the upsurge of the movement to save the nation from subjugation, seek its survival, reform politics sparked by the invasion of Western powers, and, particularly, to the germination of a capitalist economy. Toward the end of the 19th century, the power of the nation became weaker day by day, national capital developed to some extent, and its upper-level figures gradually began to step onto the political platform. During the period before and after the reform movement of 1898, newspapers and periodicals all over the country began to publish articles on political parties. Reformist groups such as the Qiang Xue Hui [1730 1331 2585], Nan Xue Hui [0589 1331 2585] and Pao Guo Hui [0202 1331 2585] played a role in uniting and fostering core members for political parties. These, however, can only be called the preparation and germination of political parties, and ones that really had relatively complete shape started from the Tong Meng Hui [antecedent of the Kuomintang, KMT]. In 1905, under the leadership of Sun Yat-sen, the three organizations, Xing Zhong Hui [5281 0022 2585], Hua Xing Hui [5478 5281 2585], and Guang Fu Hui [0342 1788 2585] were merged to become the China Tong Meng Hui. It passed a constitution, established its headquarters and local branches at home and abroad, decided to publish books and newspapers

and develop organization, and affirmed the Three People's Principles as its program. At the same time, various constitutional groups advocating reforms also pronounced their establishment one by one. In its debate with the constitutional factions and the acute struggle to overthrow the Qing Dynasty, the China Tong Meng Hui ushered in the Wuchang Uprising of 1911, and thus brought an end to the feudal autocratic monarchy and founded a bourgeois republic.

In the early years of the Republic, the development of political parties from being in great numbers to their disappearance marks the time when the bourgeois multiparty system was first tried in China and failed. The Nanjing Government with Sun Yat-sen as president stayed in power for three months, but before long, power fell into the hands of such northern warlords as Yuan Shikai. People engaged in parliamentary politics, and more than 300 political parties and groups emerged for a time. Through repeatedly splitting up and reorganizing, they actually formed three factions (the bourgeois revolutionary faction, constitutional faction, and landlord comprador faction) and four parties (the Kuomintang, the Republican Party, the Democratic Party, and the United Party) belonging either to the revolutionary camp represented by Sun Yat-sen or the reactionary camp represented by Yuan Shikai. The Kuomintang represented by Song Jiaoren believed that the party could take power as long as it won the election. Yuan Shikai, however, pieced together hired parties and factions, roped in middle-of-the-road parties and factions, and rejected progressive parties and factions. When these political intrigues failed and the KMT began to form a cabinet of responsibility according to law, Yuan tore off his disguise, assassinated Song, dissolved the KMT, arrested its legislators, and even launched an armed crackdown. Other political parties also disappeared gradually from the political scene. After the death of Yuan Shikai, various factions of warlords fought one another for years, and people's livelihood was severely shattered. Sun Yat-sen established the Chinese Revolutionary Party and the KMT in a continued struggle against the autocratic rule of northern warlords, but all failed. The founding of the CPC has epoch-making significance for the Chinese revolution. The CPC, which takes Marxism as its guide, raised the thorough democratic revolutionary task of opposing imperialism and feudalism, and pointed out the prospect of transformation through socialist revolution. The CPC helped Sun Yat-sen summarize the lessons of failure in the past; enabled him to redefine the Three People's Principles and reorganize the KMT on the basis of "allying with Russia and the communists, assisting and helping workers and peasants"; thus realized the first cooperation between KMT and CPC; and eventually defeated

the northern warlords. The CPC developed and grew in strength in the revolutionary movement, but it still lacked the experience of struggle and, in the face of a steady close-in and even out-and-out betrayal by the right wing of the KMT representing the interests of the big landlord class and the big bourgeoisie, could not organize a strong counteroffensive, and the revolution suffered severe losses. After the failure of the great revolution, the CPC persisted in the struggle against imperialism and feudalism, and penetrated deep into the countryside to carry out armed resistance against the KMT's brutal suppression and military offensives. Middle-of-the-road forces like the Third Party started to germinate in the narrow space of the military confrontation between the KMT and the CPC. During the anti-Japanese war, the CPC consistently upheld the policy of fighting against Japan in independence and with initiative at hand, and was sometimes forced, on just grounds and with restraint, to carry out counterattacks in self-defense against the anti-communist upsurge waged by the KMT. It still took into account, however, the interests of the whole, and tried its best to support the activities of friendly parties and armies. Middle-of-the-road parties and factions developed to some extent during the anti-Japanese war. During the liberation war, various middle-of-the-road parties and factions also split into two directions, the left and the right, with the majority relying on the leadership of CPC and the minority joining the ranks of the KMT.

A brief review of the history of political parties in the half century prior to the founding of New China generally reveals the following points:

First, rulers of old China were extraordinarily totalitarian and brutal. They relied on the power of feudal autocracy lasting for thousands of years, and they never accepted the bourgeois democratic system, including party politics, although this system had in itself great hypocrisy. For the purpose of controlling China, Western powers did not want a Chinese society with advanced politics to thrive either. Although the constitutions and constitutional documents issued by the Qing Government, Yuan Shikai, the northern warlords, and the Chiang Kai-shek clique all stipulated that citizens enjoyed "freedom of association," what they could tolerate were only accomplices who were conducive to their reactionary rule. Even political parties that wholeheartedly supported their fundamental political system but differed in some views could not be tolerated. As for the revolutionary parties which contradicted their interests fundamentally, they would try every means available to bribe them, split them up, push them aside, attack them, and even carry out armed crackdowns against them.

Second, under the high-handed rule of autocracy, any party which sincerely sought the national independence of China, social advancement, political democracy, economic prosperity, and people's happiness could hardly have a legal position of competing on an equal basis. Chinese bourgeois revolutionary party personages and communists were outlaws for a long time, and received

extraordinarily brutal treatment. Even if, forced by the circumstances, the rulers allowed them to exist on a small scale, they also tried every means available to impose pressure on them. "Political power grows out of the barrel of a gun" and "without a people's army, there will be nothing for the people" are experiences the Chinese people have learned at great expense. During the 28 years from the founding of the party to the founding of the People's Republic, the CPC spent most of the time in revolutionary wars. During the period of cooperation between the CPC and the KMT to oppose the aggression of Japanese imperialism, the KMT successively formulated a series of provisions based on the policy of "guarding against, containing, assimilating, and opposing the communists" to specifically deal with the CPC and the people's army led by the CPC, and resorted to such extreme measures as physical elimination, political crackdown, economic blockade, and military attacks. During the later half of the anti-Japanese war, Chiang Kai-shek began actively preparing for civil war, and shortly after Japan's surrender, flagrantly launched a full-scale civil war in disregard of the demand of the people of the whole country to build the country in peace. The kind of coalition government acceptable to the KMT was to ask the CPC to surrender the anti-Japanese bases earned by people with fresh blood and the people's army in return for a few ceremonial ministerial posts with no real power. This fundamentally denied the practice of the parliamentary road of multi-party competition in China.

Third, in light of the practice of the multiparty system, it did not bring any benefit to the Chinese people. At the start of the Republic, all strata of the society established 312 political parties and groups. Among the more than 300 parties, only 35 had a general or limited political program. Many parties had neither programs, adequate membership, nor strict organization, and having multi-party membership or shifting from one party to another was seen as the order of the day. There were people who took up membership in all parties. Their leaders and members differed greatly in quality. The actual actions of quite a number of parties were meant only to secure official posts and share political benefits, and therefore they were easily manipulated by Yuan Shikai. Through repeated changes, some became appendages of Yuan Shikai, like the United Party, the Republican Party, the Progressive Party, and the Citizen's Party. Only the Bourgeois Revolutionary Party led by Sun Yat-sen, though hesitantly and with twists and turns, consistently upheld the revolutionary struggle. Staying away from the confrontation between the two parties, some middle-of-the-road parties and factions and their members either split up or disappeared from the political scene. The multiparty system, once very popular during the early years of the Republic, was only a flash in the pan, and it did not have a deep foundation in China, let alone bring democracy, freedom and prosperity to the Chinese people.

Fourth, political struggle in China mainly took the form of armed struggle, and failure to master the middle-of-the-road parties and groups in the army not only made it impossible to take power but also likely caused the split into left and right. Given the confrontation between the KMT and the CPC, the eight democratic parties, i.e., the Chinese Peasants' and Workers' Democratic Party, China Democratic League, China Democratic National Construction Association, China Association for Promoting Democracy, Jiusan Society, China Zhi Gong Dang, Taiwan Democratic Self-Government League, and the Revolutionary Committee of the Chinese Kuomintang, were formed. They participated in the patriotic and democratic movement in the KMT-controlled areas and gradually took up an attitude of cooperation with the CPC and, in answer to the CPC's call in May 1948 to convene a new political consultative conference and establish a democratic coalition government, expressed willingness to carry the revolution to the end under CPC leadership. Shortly afterward, they participated in the new political consultative conference and were involved in formulating the "Common Program" and electing the Central People's Government.

In short, although the autocratic rulers of old China sometimes needed to do some window-dressing, they would never actually tolerate the bourgeois political party system which restricted their own powers. Putting bayonets on the agenda is a trick often employed by them. Although revolutionary party personages can use the bourgeois political party system as a means for struggle to win themselves some opportunities for activities, they cannot place too much hope on this kind of legalized struggle. Some middle-of-the-road parties and factions can emerge between two confrontational political and military groups, but because political struggle in China mainly takes the form of armed struggle, the middle-of-the-road parties which do not have command of the army cannot develop into a vital force that will decide the course of the political situation, and in crucial moments of acute struggle, inevitably tend to split up politically. That is the fundamental reason the transplant into China of the Western political party system including the multiparty system ended in failure.

The Leadership of the CPC Is the Fundamental Guarantee for China To Realize Socialist Modernization

In our country, the CPC, as the party in power, is the force at the core leading our cause forward. If we want to take the only historical road, carry out socialist modernization construction, and eventually realize the communist system, we must be led by the CPC—the vanguard of the working class which represents advanced social productive forces and thoroughly understands the laws governing the development of history. Socialist modernization cannot be realized without the firm core of leadership of the CPC. China's concrete historical and practical conditions have determined that China should practice the system of multiparty cooperation and political consultation under the leadership of the CPC. This

system differs fundamentally from the bourgeois biparty or multiparty system. It affirms the CPC's leading position in China's political life and the position of all democratic parties in state power as one of cooperating and working together with the CPC. Instead of parties not in office or opposition parties, democratic parties are parties participating in the administration of state affairs. As a basic political system of our country, this system has become reality in social and political life. For instance, democratic party personages or persons without party affiliation have assumed leading posts at various levels in all government departments, and their members are engaged in supervision, auditing, trial, and other mass supervision work. The CPC's consultation with democratic parties or nonparty personages, in particular, has been continuing since the founding of the People's Republic except for a brief period of interruption, "the Great Cultural Revolution." This democratic consultation is an important way for the CPC to consult and communicate occasionally with democratic parties and nonparty personages on situations at home and abroad, major state affairs, major policy issues, and party relations, and has become usual practice in our country's political life and yielded good results.

Since the founding of the People's Republic, the CPC's leading position has been consolidated, and to safeguard the leadership of the CPC has become the conscientious action of the people of the whole country. But on the question of whether the leadership of the CPC should be upheld, there has always been intense struggle. In the mid-1950's, some people mentioned in the same breath the CPC's leadership of state power with feudal dynasties' "nepotism" and called it "the party governing the country." And others challenged the CPC's ruling position, and demanded equal footing and "to rule in turn." At the end of the 1970's, some people went from correcting the faults of Mao Zedong in his late years to the extreme of negating the whole life of Mao Zedong and Mao Zedong Thought. And still other people, while flaunting the banner of "freedom," "democracy," and "human rights," instigated riots, attacked party and government organs, established illegal organizations, and published illegal publications. Some others spread such reactionary remarks as "the source of all evils is the proletarian dictatorship," and "firmly and completely repudiate the CPC." Comrade Deng Xiaoping made an important speech, "Upholding the Four Cardinal Principles," and, at the same time, took corresponding measures to quell the disturbances temporarily. In the 1980's, the tendency whereby a handful of people in literary, theoretical, and press circles negated the socialist system and broke away from the leadership of the CPC successively occurred, and remarks that ran counter to the four cardinal principles were also sometimes uttered in other circles. In 1983, Comrade Deng Xiaoping raised the task of opposing spiritual pollution, but this was not implemented in actual work, and spiritual pollution continued to proliferate. Some people proposed practicing comprehensive private ownership in

China and copying indiscriminately such Western political systems as the separation of three powers, the multiparty system or the system of one party with many factions. Serious proliferation of a bourgeois liberalization trend of thought led to the outbreak of student unrest in late 1986 and early 1987. At the end of 1986, Comrade Deng Xiaoping again raised the task of carrying out the struggle against bourgeois liberalization, but this was resisted. The "elite" who stick to bourgeois liberalization became even bolder, and spread many fallacies opposing the leadership of the CPC. At last, in the late spring and early summer of 1989, believing that the opportunity was ripe, and supported and coordinated by international hostile forces, they instigated social unrest, which was aimed at overthrowing the socialist country of the dictatorship of the proletariat, and the counterrevolutionary rebellion in Beijing. The party and the government, representing the will of the people, were forced at last to take firm measures to quell it. The causes of the 1989 political disturbances were complicated, but sabotage activities by foreign hostile forces and the anti-communist agitation conducted for a long time by a handful of people in the country who stick to bourgeois liberalization are the major reasons. In reviewing the history, it is not difficult for people to see that the intense struggle between the upholding of the system of multiparty cooperation and political consultation under the leadership of CPC and attempts to weaken, and even overthrow, the leadership of the CPC and practice a bourgeois multiparty system is an objective reality that has existed for a long time, and is often a major form of class struggle on the political front in socialist countries. The intrigues of those who stubbornly stick to a bourgeois liberalization stand to advocate the practice of a bourgeois multiparty system in China are not aimed at giving the CPC well-meaning supervision and help but to set up an opposition party opposing communism and socialism and to drive the CPC from power. The situation after the founding of the People's Republic has shown that social disturbances will occur, and even develop into a certain degree of loss of control, whenever remarks and actions that damage the leadership of the CPC and even advocate the bourgeois multiparty system emerge in the society. This tells us a simple truth by a negative example: Upholding the leadership of the CPC is the fundamental guarantee for social stability. And this kind of social stability is also an important precondition for the people to live and work in peace and contentment, and for the state to carry out reform and opening up, and develop the cause of socialist modernization construction.

Politics is the concentrated expression of economics, and a particular economic base will determine a particular superstructure. This is a basic tenet of Marxism. The socialist economic base with public ownership as the principle part requires the establishment of a corresponding superstructure, and that is to uphold the leadership of the proletarian party, the state power of the people's democratic dictatorship, and the guiding position of Marxism. Marxism cannot emerge by itself from

the workers' movement and other mass activities. It can master the masses only through the propagation of and imbuing of the masses with Marxism by the proletarian political party, and become a lively social reality through the actions of the people. The people's democratic dictatorship, that is, the dictatorship of the proletariat, must have a strong core, and this core is the CPC. Without such a core, the state power of the proletarian dictatorship cannot be consolidated, and may even be defeated in the harsh struggle against the enemy. Some 120 years ago, an important cause behind the failure of the world's first proletarian dictatorship power—the Paris Commune—is that there was not the strong leadership of a Marxist political party. It can be said both in theory and practice: The leadership of the Communist Party is the principle part of the superstructure which is suited to the socialist economic base of public ownership.

China is a country with a vast territory, large population, backward economy and culture, and very uneven development. Externally, the old China suffered bullying and humiliation by the big powers and internally was affected by feudal autocratic rule. To make such a huge oriental country realize socialist modernization, the tasks of the democratic revolution, socialist revolution, socialist construction, or reform and opening up, are all extremely complicated and difficult. This is a great cause never seen before in the history of mankind. The party that leads the cause of revolution and construction of such a country must be good at assessing the situation; raising tasks at the right time; formulating programs, lines and various policies that are in accord with actual conditions; and uniting, leading, and organizing as many people as possible to struggle heroically for the interests of the state and people. No other political groups will or can shoulder this heavy task except the Communist Party. The CPC has 50 million members and is the biggest party in the world. This party and its leaders can profoundly understand the spirit and essence of Marxism, and combine this universal truth with China's actual conditions. This has resulted in Mao Zedong Thought, which is used to guide the actions of the whole party and the people of the whole country. This party has undergone a transition of three generations of leaders, and the three generations of leaders are all united and mature and enjoy high prestige both inside and outside the party. Calculated from 1931, when the first national congress of the Chinese soviet was convened, this party has had the experience of being in power successively for 60 years, starting from parts of the country to the whole. It has been in power in the whole country for more than 40 years and has accumulated rich experiences of administering state affairs. During the process of being in power, this party has gathered together, cultivated, and trained large numbers of cadres who are loyal to the cause of the people and can correctly formulate and implement policies, and have a considerable amount of experiences of administration. This party leads a strong army of the people which has high consciousness and can withstand all kinds of tests and trials. This party leads its reserve forces—the mass organizations of Communist

Youth League, trade unions, and women's federations—and closely associates with the vast numbers of workers, peasants, and intellectuals, and has established a long-term relationship of cooperation with persons from all sides. This party has several million grass-roots organizations scattered all around the country under the jurisdiction of various departments and local party organizations at all levels, and formed a closely-knit social network. The majority of the members of this party have high consciousness and considerable professional abilities, and can play quite a good role in work. It is no exaggeration to say that many of China's real elite are inside the CPC. Such a strong social political force has never existed in China before and is rare in the world. The victory of our country's new democratic revolution and the great achievement by socialist revolution and construction are inseparable from the strong leadership of the CPC. Western politicians and thinkers generally harbor a political bias toward China's socialist modernization cause, but there are some people who, after a thorough study and comparison of all developing countries in the world, reached an objective conclusion: In a socialist country such as China, to practice the rule of the Communist Party is more conducive to the development of the country and the advancement of the society than that of biparty or multiparty systems. They also further elaborated: Social stability can only be maintained when the extent of political institutionalization matches that of participation by the people. This is to say, in the process of modernization in Third World countries, there should be a highly organized party to arouse and guide citizens' awareness of participation in politics. Otherwise, the society is prone to losing control and giving rise to such serious anarchy as coups d'etat, civil wars, national splits, sluggish production, and social disorder, thus delaying or even halting the progress of modernization. Such views summarized from practical surveys in the international community are quite original.

Analysis of Some Points of Doubt

In the process of exploring reform of China's political structure, it has become a consensus among people to uphold the leadership of the CPC. But some comrades have doubts in their minds, believing that the major shortcoming of our country's political structure in the past was excessive concentration of power and that the upholding of CPC leadership is not conducive to the promotion of democracy. Others believe corruption will occur and mistakes in decision-making cannot be avoided without a competition mechanism inside and outside the party. These doubts differ from the fallacies of those who stubbornly stick to bourgeois liberalization. But there is still a need to analyze the doubts.

"Is the leadership of the CPC not conducive to the promotion of democracy?" No. The democratic system practiced in socialist countries is based on public ownership of the means of production with the majority of citizens enjoying the right to administer state affairs. This is the fundamental characteristic of socialist

democracy. The fundamental aim of the CPC is to serve the people wholeheartedly. In the past, the CPC led the Chinese people to overthrow the three big mountains of imperialism, feudalism, and bureaucratic-capitalism and set up a state power of people's democratic dictatorship, and then founded an economic system with public ownership of the means of production and distribution to work as the principle part. The Chinese people have for the first time commanded their own fate and become the real masters of the country. The fundamental task of the party at present is to unite and lead the people of all nationalities to build our country into a prosperous, strong, democratic, and civilized modern socialist country. Therefore the leadership of the CPC not only does not contradict the promotion of democracy but also guarantees the building of socialist democratic politics. Without the leadership of the CPC, which reflects the will of the proletariat and the fundamental interests of people of the whole country, there will be no socialist China where the people conscientiously build their new lives. Even if New China was founded, it still might be overthrown by the evil wave of anarchy instigated by people with ulterior motives. In the "extensive democracy" practiced in "the Great Cultural Revolution," during which party and government organs could not maintain normal working order, the vast numbers of cadres and masses were subjected to "mass dictatorship" and "all-around dictatorship." The "elite" in the political disturbances in the late spring and early summer of 1989 have always regarded workers and peasants as the common herd and put on a posture of royal masters in front of the people. They talked loudly about "democracy" and "freedom" with the aim of nothing more than promoting their "elitist politics" and "enlightened dictatorship" and replacing the socialist democratic system with that of the bourgeois and the people's democratic dictatorship with the bourgeois dictatorship. After they defected from the country, they clamored for "sanctioning China" and mingled with all kinds of reactionary forces. What on earth have they done for the advancement of democracy in China? From comparisons of both the situations in old and New China and those before and after the 10-year reform, people without prejudice can see that, under the leadership of the CPC, the building of our socialist democratic politics is constantly developing and realizing obvious achievements.

"Does the leadership of the CPC inevitably lead to corruption?" Not right either. Corruption is a twin brother of private ownership. The *Twenty-Five Books of History*, which was good at painting a rosy picture of feudal dynasties, nevertheless had accounts of corrupt officials in every dynasty. In 243 B.C., Qin Shi Huang stipulated that "a promotion should be awarded to common people for every 1,000 dou of millet handed in" and put official posts on public sale. Both the Ming and Qing dynasties practiced the systems of "donated officialdom" and "donated posts in the imperial college," that is, using money to buy an official post and a post in the imperial college. With the purchased post or alternate position, they would naturally double the collection

of money. In the Song dynasty, a lot of officials were not paid by the government and were allowed to embezzle money and accept bribery. Out of the greedy nature of exploiting class, those highly paid officials were never satisfied with their lawful income, and official embezzlement and corruption became rampant. Each dynasty also set up various kinds of supervisory mechanisms. But no matter whether it is Zhao Kuangyin's measure of paying government officials with high salaries to avoid corruption or Zhu Yuanzhang's harsh physical punishment against corruption, they all failed to achieve any results. Montesquieu believed the root of corruption lies in the fact that "anyone with power is likely to abuse the power" and his remedy was the "separation of the three powers" to "restrict power with power." But scandals have repeatedly happened in America, which is the country that believes in his theory the most. The president distributes the most important posts to those who have given their efforts and money during the election campaign regardless of whether or not they are qualified for the jobs, and this has become an open secret. Several cabinets in Japan collapsed on suspicion of having received bribes. Coups d'état in some Third World countries where laws are not adequate have followed one after another, and the rulers who come to power after each political disturbance all accuse the previous government of corruption; there have been few exceptions. It can be seen that corruption is a terminal illness for these rulers because they are all representatives of the exploiting class. The Communist Party is a proletarian party with Marxism as the guide, and the proletariat and Marxism are two big killers of corruption in material and spirit. So the Communist Party is essentially opposed to corruption. In the 1950's and early part of the 1960's, our party's cadres formed the general practice of being clean and honest in carrying out their official duties. This was generally recognized by people both inside and outside China. During the "Great Cultural Revolution" in which "party committees were kicked out to give way to revolution," the rebels who usurped power preserved their nature of being ruffians, the society was in a state of anarchy, and the phenomenon of corruption which had been wiped out in New China resurfaced. After reform and opening up, party consciousness was blunted for a period of time, and the building of spiritual civilization became a soft task, whereas money worship and egoism overflowed and corruption was on the verge of becoming rampant. As proved by facts, it is not the leadership of the CPC that caused corruption; on the contrary, during the early years of the People's Republic, the CPC cleared off the dirt and sewage water left over from old China and fostered a new style of honesty and uprightness, but when the leadership of the CPC was weakened, the old dirt resurfaced and bacteria that corrode the organic bodies of the party and society were able to spread again. Therefore, to blame the CPC for corruption is not true to the facts. And it should be seen that the majority of our party's cadres and members are good or basically good. In the past two years, the party and government have taken firm measures to punish corrupt officials and the style of the party and society has turned for the better.

We should be of one heart and one mind and, under the leadership of the CPC, push forward the anti-corruption struggle and restore the fine style of the party and society on a new basis.

"Cannot the leadership of the CPC avoid mistakes in decision-making?" It should not be seen like this. From the view of philosophy, mistakes are bound to be made when subjectivity and objectivity contradict each other, and mistakes are not easily made when subjectivity and objectivity match each other perfectly. On this point, no party and individual can avoid making mistakes, and the difference lies in the nature and extent of and attitude toward mistakes. In theory, the CPC is different from bourgeois parties in that it has no narrow class limitations and can master the truth more easily. Marxism is, in addition, a strong weapon for understanding and reforming the world, and so it can make fewer mistakes. The facts are just like this. If we examine the several-hundred-year history of political parties in the world, it can be seen that the CPC has done many more good things and made many fewer mistakes in helping society advance than any other party. But the CPC is not god and Marxism is for solving the fundamental questions of outlook on the world and life and methodology, and it cannot provide ready answers to questions concerning every aspect in every country and at every time. And for the party to solve these problems correctly, there should be a process. Before these problems are truly understood, mistakes of one kind or another are unavoidable. During the revolution and the early period of construction, the CPC made mistakes when faced with major turns or other complicated issues and the reasons lie here. But the mistakes of the CPC have their own characteristics: First, merits outweigh errors, and mistakes are minor, are secondary, compared with achievements. Second, the nature of mistakes mainly deals with understandings in ideology and comes under the category of doing the wrong thing with a good intention. Third, it is serious and responsible in its attitude toward mistakes, seriously carries out self-criticism, corrects mistakes through concrete actions, takes lessons from them, and turns them into a new motive force for continued advance.

QIUSHI Urges Study of Party History

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[Article by Sha Jiansun (3097 0256 1327), deputy head and professor of CPC Central Committee Party History Research Office: "Talk on Several Issues in the Study of Party History"]

[Text] I. The Importance of Studying Party History in the Present Situation

The great CPC has traveled a brilliant course for 70 years. The road traveled in these 70 years constitutes a rich and lively Marxist textbook. In accordance with the arrangements of the CPC Central Committee's Propaganda Department and Organizational Department, the

cadres of the entire party must focus for a time on studying party history. This is a major aspect of our party's political life.

Today, our cause of socialist modernization is at a crucial stage and CPC members shoulder the glorious but arduous tasks of achieving the second-step strategic goals and pushing the socialist cause forward. The historical environment in which we are engaging in modernization is extremely complex. Various Western hostile forces are now stepping up plans to carry out peaceful evolution in socialist countries. They have very great ambitions, have openly declared that they want to "wipe out communism from the whole world," and have set down their timetable for this. Faced with the onerous construction tasks within the country and the complex international environment, we need to seriously consider how we are to build our party more strongly so we can unwaveringly persevere with building socialism with Chinese characteristics, and lead that construction to new and greater victories. Clearly, in this situation, the party Central Committee's call for us to study party history, to look back at the historical road we have taken, and to study the historical experiences of the party, has especially major practical significance.

In studying party history, what are the issues we have to understand?

First, we need to understand the patterns of social development and revolutionary development of modern China, understand how the leading position and key role of the CPC was historically formed, understand how the Chinese people, in accordance with historical inevitability took the socialist road with the CPC as the guiding force, and thereby further bolster our faith in leadership by the party and in the socialist road.

Second, we must understand the historical process by which the general principles of Marxism were combined with the realities of China; grasp the basic experiences of the Chinese revolution and construction; raise our consciousness for implementing the basic line and various principles and policies; and raise our capacity to use a Marxist position, viewpoint, and methods to examine, analyze, and resolve problems. The party's line, principles, and policies did not come out of thin air. Rather, they emerged on the basis of summing up historical experiences and researching the current situation. For example, why do we have to maintain economic construction as the center? Why must we adhere to a socialist orientation? If we understand the relevant experiences and lessons, we will gain a deeper understanding of such questions, and our consciousness for implementing the basic line of the party will be greatly strengthened.

Further, we must inherit and carry forward the fine traditions and fine work style of the party, and strengthen the party's ideological construction, theoretical construction, organizational construction, and work style construction. The reason our party has been able to

grow and become strengthened and victorious is due to, apart from reliance on a correct political line, the fact that it has relied on the thoroughgoing revolutionary spirit which the various organs of the party and all levels of the broad masses of party members have carried forward in struggle and on their strong organizational and discipline capacities, as well as the strong links established with the masses. The fine traditions and fine work style which have been formed by our party over a long period of struggle are a great and valuable spiritual treasure. Today, our party must pass the tests of holding power, pass the tests of reform and opening up and developing the commodity economy, and pass the tests of the struggle to resist peaceful evolution. A very important aspect in this is that we inherit and carry forward these fine traditions and fine work styles of the party.

The bitter lessons provided by the changes which have occurred in some states also illuminates for us the great importance of our study of party history. The changes in those states have complex causes, but there is one thing which we can observe very clearly and that is that the capitalist forces and their agents first used the method of distorting and vilifying party history to produce ideological chaos. Through negating the history of the communist parties and socialist construction, they gained political momentum and thereby they wantonly opposed communism, opposed socialism, and encouraged capitalism. The results of these actions are there for all to see. This was a major regression of history. In China, are there also persons who want to do such things? Yes, there are. In February 1989, several prominent figures who were engaged in bourgeois liberalization, when being interviewed by some reporters of a foreign news agency, stated that we must "be brave enough to take on the risk of raising queries about the entire history of the CPC since the founding of the party." They also said that people had exposed and criticized Stalinism and that the time had come to expose and criticize Maoism. They held that if Chinese leaders did not put forward this task, there would be no way to overthrow this wall from the past and advance. They recognized that as long as Mao Zedong Thought remained in the leading position within the party, engaging in bourgeois liberalization in China would meet insurmountable obstacles. These persons who engage in bourgeois liberalization are quite sharp on the political level and they recognized the importance of party history. Although some of these people were utterly ignorant of party history, they successively poked their noses into this sphere. For example, Su Xiaokang not only greatly distorted party history in "Heshang [River Elegy]," but also wrote "Looking Back From End of Century" and "Memorial to Utopia" which attacked the Chinese communist movement. In response to such things, we cannot just stand back and watch. We should scientifically expound upon the historical development of the party, clearly show the chaos which bourgeois liberalization has produced in this area and answer the profound questions regarding party history which are of concern to the people. If we do this well, we will be able

to further firm the people's trust in socialism, promote self-construction of the party, and better build socialism with Chinese characteristics.

II. Characteristics of Book *Seventy Years of the CPC*

Under the guidance of the CPC Central Committee's party history leading work group, the CPC Central Committee's Party History Research Office has compiled *Seventy Years of the CPC*, which had Comrade Hu Sheng [5170 4939] as chief editor. The work is less than half a million characters in length, but it quite completely, accurately, and thoroughly reflects the 70 years of the party's history. When approving the publication of this book, the CPC Central Committee party history leading work group pointed out that this is a party history work of quite a high level. Party history circles also widely held that this work, which centralizes many years of party history research, is a good textbook suited to the needs of party history study. From the various views, it appears that this book has the following characteristics:

First, it is systematic as well as complete, accurate, and clear. This book begins with the founding of the party in 1921 and runs through to the first half of 1991. It reflects, in an overall way, the brilliant and arduous course of struggle by which the party led the Chinese people in engaging in the new democratic revolution, socialist transformation and socialist construction, reflects the historical development by which the general principles of Marxism were combined with the realities of China's revolution and construction, and reflects the historical experiences of how the party, through rectifying mistakes, continually strengthens its own construction. This book warmly eulogizes the great, heroic, and stirring struggle led by the party, and it clearly and concisely details the achievements realized and the mistakes made by the party. With respect to the major questions in party history, this book, while basing itself on the two historic resolutions passed by the Seventh Plenary Session of the Sixth CPC Central Committee and the Sixth Plenary Session of the 11th CPC Central Committee, adds new ideas in some areas. Many of the important materials are being publicly utilized for the first time.

Second, it seeks truth from facts and presents its arguments in an even-handed way. This book seeks to provide a truth-seeking reflection of the major events in party history. Regarding important figures in party history, it does not provide a simplistic verdict affirming or negating them. Rather, it examines their ideas and actions in a particular historical context and through specific analysis, arrives at appropriate conclusions, and makes great efforts to avoid one-sidedness.

Third, it both describes and discusses, so history and theory are combined. As a party history textbook, of course the work must describe the historical development of the party. However, if one purely cites facts,

people will have difficulty understanding the significance of the facts. This book, on the basis of clarifying the basic historical facts, stresses analyzing these historical facts and tries to reveal the patterns of the historical development of the party. Such discussion comprises one-fifth of the entire book. It has both a rich sense of history and a strong theoretical hue. This means that readers not only know what happened, but also know why these things happened.

Fourth, the arrangement is logical and the ideas can be seen at a glance. The book divides the 70 years of the party into nine stages and, at each stage, it grasps several key questions, which are given prominence as major threads. Thus readers are able, from the mass of historical materials, to distinguish the major from the secondary and see the main ideas. Thus, some readers have noted that this book is like reading a well-knit and smooth-reading essay.

In sum, as Comrade Hu Qiaomu appraised it: "This book is readable, reliable, and useful. This is because it records the historical facts in a way which seeks truth from facts and also discusses, in a truth-seeking way, why these things came about. It combines both description and discussion, and the contents are of high quality and are well-expressed. Old ideas are discarded and new views are frequently expressed, and thus readers get little feeling of boredom. Readers will feel that they are reading a clear, well-knit, and realistic history and from it they will be able to draw nutrition and will be spurred to thought. It is not like reading a 'propaganda work.'"

Thus, the CPC Central Committee Propaganda Department and the Organizational Department are requiring, in their notices, that when cadres throughout the party are studying party history, they seriously read the book *Seventy Years of the CPC*. Some provinces and cities, when organizing the study of party history, also stress that people must read *Seventy Years of the CPC* in its entirety and are opposing the use of all sorts of small books and "supplementary materials" as substitutes. This book is not large, as it only comprises 480,000 characters. It is both necessary and completely feasible for a leading cadre to put aside some time to seriously read this book.

Of course, this book is not perfect and it is inevitable that there be some deficiencies in the arguments put forward and the materials used. The CPC Central Committee Party History Research Office is preparing, after widely listening to opinions from readers, to carry out revision of this book at an appropriate time.

III. In Studying Party History, It Is Necessary To Stress Mastering of Correct Position, Viewpoints, and Methods

In studying Marxism, the most important thing is to grasp its spiritual essence, and to learn how to use its position, viewpoints, and methods to analyze and resolve problems. A history of the party is a history of Communist Party members using the stand, viewpoints

and methods of Marxism to analyze and resolve the problems of the Chinese revolution and construction. Only if we study the history of the party using the correct position, viewpoints, and methods will we be able to understand it in a scientific way. At the same time, through the study of party history, we will be able to grasp the position, viewpoints, and methods of Marxism. In studying party history, and especially when studying party history during the socialist period, we should pay attention to the following several aspects:

1. We must in a clear-cut and forceful way affirm the wealth of brilliant achievements which our party has realized for the nation and the people.

Over the last 100-plus years, the Chinese people have engaged in heroic struggle, with another stepping into the breach as the one ahead fell. What was the goal they were seeking? It was independence, unity, democracy, and prosperity. During the Qing Dynasty, the Northern warlord period, or the period of Kuomintang [KMT] rule, this goal was not and could not be realized. Only under the leadership of the CPC and after the establishment of socialist New China did we realize, or at least realize to a very great degree, these goals. Only with socialist New China was our nation able to truly throw off the oppression of the imperialist powers and obtain complete independence, and only thus was it able to completely wash away the last 100-plus years of humiliation and gloriously stand independently among the nations of the world. Only with socialist New China was our country able to end the situation of disaster and chaos brought by repeated wars, and the situation of separatist regimes, and achieve true unity and stability, and were the people able to truly live safe and comfortable lives. Problems it was impossible to envisage solving in old China, such as the problems of bandits and secret society forces, were all solved not long after the establishment of New China. It was only with socialist New China that our people were able to escape the plight of oppression and enslavement they had suffered for several thousand years, and truly become the masters of the state and the society. Also, it was only after the establishment of New China and through over 40 years of great efforts that broken and extremely poor semifeudal and semicolonial old China was able to change into a socialist state with vital prosperity. Our country has already established an independent, quite complete industrial system and national economic system, and with only 7 percent of the world's cultivated land, has basically resolved the problem of feeding 22 percent of the world's population. The people's lives have also widely seen obvious improvement. There has been a great advance in the position of our country in the listing of the world's countries graded by economic level. Compared with the countries with which China was initially quite close in terms of economic level, our development has been much swifter and our situation is now somewhat better than theirs. None of these achievements could have been imagined in old China. These achievements manifest the essential aspects and mainstream aspects of the party's history. If

we are to take the party's stand and take the stand of the working class and the masses, we need to first recognize these essential aspects and main aspects of things.

2. Regarding party history, we need to engage in specific, scientific analysis in a way which seeks truth from facts.

Engaging in specific analysis of specific situations constitutes the vital spirit of Marxism. If analysis is done well, the benefits are great. Some people speak of the 40 years of socialist China as a "continuous series of mistakes." This is completely at variance with the facts. In fact, since the establishment of the PRC, there have been two major mistakes made by our party. One was the "Great Leap Forward" and the other was the "Great Cultural Revolution". For most of the remaining periods, the work of the party was done well, or quite well. For example, during the period of national economic recovery, the First Five-Year Plan, and the period of national economic readjustment, the party did good work. Also, since the Third Plenary Session of the 11th CPC Central Committee, the party's work has been good.

If we talk about the situation just after the establishment of the PRC, our party passed the tests of holding power, passed the tests of overcoming serious difficulties, passed the tests of measuring strength with the aggressive forces of U.S. imperialism and within a short time consolidated the newly born people's regime and restored the national economy. The party also lost no time in putting forward the general line for the period of transition, initiated the building of a planned socialist economy, adopted a pace suited to China's situation, realized the socialist transformation of the system of ownership of the means of production, and established a socialist economic system, thereby laying a base for all subsequent progress and development in China. In the process of carrying out these earthshaking changes, social order was stable and there was sustained economic growth. These were tremendous achievements and we must do well in summing up the experiences in this respect.

However, when we say that the work of the party in particular periods was done well or quite well, this does not mean that there were no deficiencies or mistakes in the work in these periods. For example, in the first seven years following the establishment of the PRC, at the same time as fully affirming the achievements of this period and affirming the necessity and correctness of the socialist transformation which China carried out at that time, we must also point out that from the second half of 1958, in the socialist transformation sphere, the demands were excessive and some work was done quite roughly. This resulted in many problems being left over for quite a long time. The lessons in this respect should be summed up. Through summing up these lessons, we will be able to understand the necessity of carrying out the rural reforms subsequent to the Third Plenary Session of the 11th CPC Central Committee, and understand the significance of the agricultural production

responsibility system and so on. Of course, we cannot sum up the totality from the partial, and we cannot use some minor things to observe the main aspects of work during such periods. For example, we cannot, on the grounds that today the majority of rural areas have implemented family output-linked contract responsibility systems, negate the movement to implement agricultural cooperatives. Why is this? It is because the rural areas, subsequent to the implementation of cooperatives, used their collective economic strengths to engage in basic agricultural field and irrigation works, to increase agricultural mechanization, and to improve the conditions for agricultural production. In this way, as soon as the family output-linked contract system was implemented, the production enthusiasm of the peasants was aroused and the conditions beneficial to production development which were originally created by the collective economy were also brought into play. It was only with these two conditions that production was quickly raised to a new level. After the implementation of the family output-linked contract system, the economic structure in the rural areas was different from the small-scale private ownership economy subsequent to the land reforms. Now, there are two levels of operation, by which the superiorities of the collective economy are brought into play and the enthusiasm of peasant household operators is motivated, and the advantages of these two sides are combined. The family output-linked contract responsibility system accords with the situations of the vast majority of villages, and it should be affirmed. At the same time, in order to increase input and strengthen the stamina of agricultural development, it is necessary to further perfect the dual-level operational system, develop socialized pre-production, production and post-production services and stress the increasing of collective economic strengths. In areas where the conditions are available, under the principle of voluntary participation by the peasants, we should develop operations of appropriate scale. From this we can see that the implementing of family output-linked contract responsibility systems is not a negation of agricultural cooperatives. On the contrary, on the basis of affirming the achievements of the agricultural cooperatives, they are a good remedy for the problems left by the cooperativization.

Further, since the Third Plenary Session of the 11th CPC Central Committee, we have realized great achievements. However, at times, the problem of "one hand strong, one hand weak" has arisen, and on the economic level, there has appeared some overheating. We should not avoid this problem, but rather must seriously analyze the causes and draw necessary lessons. However, just because we point out some problems in this period, we must not fail to recognize the great achievements in work during this period. Practice has proven that the party's line, principles and policies since the Third Plenary Session of the 11th CPC Central Committee are correct, while the mistakes have lain in that there has not been persistent adherence to the four cardinal principles, and these principles have not been taken as the basic ideology

in educating the people, educating students and educating the whole body of cadres and party members. Thus, the task of the party, as Comrade Deng Xiaoping has pointed out, should be, on the basis of summing up experiences, "to persist with that which is correct, correct that which is erroneous, and tighten that which is lax." It would be a very great mistake to have doubts about the basic party line, or to have doubts about the policy of reform and opening up, on the basis of some mistakes which have been pointed out in work.

We cannot just look at periods in which work has been done well. We also need to analyze periods when major mistakes were made.

After the establishment of the basic socialist system, the party faced the problems of how to continue forward, how to develop the undertaking of socialist construction, and how to further perfect and bring to maturity the socialist system. The resolution of these problems depends on the correct combination of the general principles of Marxism with the realities of socialist construction in China, and traveling China's own road of building socialism. As socialism was a completely new undertaking in human history, and China was building socialism on a backward economic and cultural base, the realization of this combination was particularly difficult. Sometimes, there was imprecise mastery of some Marxist principles with respect to socialist society, and sometimes there was an incomplete understanding of China's national situation. The party was thus subject to mistakes of one sort or another. The two major mistakes and major setbacks—the "Great Leap Forward" and the "Great Cultural Revolution"—were both produced by serious errors made by our party in the process of independently seeking our own socialist road.

During the "Great Leap Forward," in the ideology guiding our party's work, there was an over-anxiety for results, and "Leftist" mistakes were made. This resulted in a great decline in agricultural production, a great waste of human and material resources on the industrial front, proportional dislocation of the national economy and quite major difficulties in the lives of the people. This is a very profound lesson. It tells us that only if we respect objective economic patterns can people's subjective initiative be effectively brought into play; that in engaging in economic construction, it is necessary to proceed from China's realities and act in accordance with our capacities; that we must pay attention to the comprehensive balancing of the various sectors of the national economy; and so on. When we consider that subsequently the phenomenon of economic overheating repeatedly occurred, there is a need to further analyze the causes of this. However, despite this, we cannot simply write off at one stroke the work during the period of the "Great Leap Forward." This is because in this period, we carried out much agricultural field and irrigation facility construction, and these facilities will play a role for quite a long time to some; we mobilized workers to start work on many medium-sized and large enterprises (of the medium-sized and large enterprises

built from 1949 to 1964, two-thirds were commenced during this period). This formed a very large production capacity and these will also play a role for a long period to come. These achievements were the result of struggle by the party and the people and should not be denied. Of course, if there had not been the "Leftist" mistakes and there had not been over-anxiety for results, the achievements would certainly have been better.

The 10-year period from the Eighth Congress in 1956 to the eruption of the "Great Cultural Revolution" in 1966 also needs to be analyzed. These 10 years were a period of twisting development through exploration of socialist construction. In the exploration during these 10 years, there were two development trends in the party's guiding ideology: one was the correct or quite correct trend. In the process of exploring China's own road of building socialism, this trend formed some correct or quite correct theoretical viewpoints, principles, policies, and practical experiences. The other was an erroneous trend. In the process of exploring China's own road of building socialism, this trend formed some erroneous theoretical viewpoints, policy ideas, and practical experiences. The latter trend directly led to the "Great Cultural Revolution." The former trend was the precursor of the correct line and principles since the Third Plenary Session of the 11th CPC Central Committee. The two trends have at many times influenced each other, intermingled with each other and, at times, have even coexisted in the cognitive development process of a single person. This situation shows that at that time, our party lacked complete and mature experiences in building socialism and shows that at that time, the whole party was still in the process of exploration. Such an analysis of the history of this period provides a line of thought for viewing this complex process and makes it possible to understand the history of this period.

Regarding the "Great Cultural Revolution," the "Resolution on Several Questions in the History of the Party Since Establishment of the PRC" has already provided a clear verdict. That is: "The 'Great Cultural Revolution' was a period of domestic turmoil which was initiated through mistakes by the leaders, was made use of by counterrevolutionary groups, and brought great suffering to the party, the state and the people of all nationalities." The "Great Cultural Revolution" should be thoroughly negated. There is no question about this. The chaos of the "Great Cultural revolution" taught us, from the negative angle, that after the basic completion of the socialist transformation, it is necessary to take economic construction as the focal point in our work and that class struggle will still exist within a certain scope. This must not be ignored and must not be exaggerated. Ignoring it and exaggerating it are both serious mistakes. We need to make a correct appraisal of the situation within the party. Real revisionism must be opposed and the negative phenomena which exist within the party must be resolved through decisive measures. However, if we do not set down a scientific dividing line for revisionism, and we take some different opinions and even correct

opinions within the party to be revisionism, and make exaggerated appraisal of the negative phenomena which exist within the party, and on this basis advocate, under the condition of the dictatorship of the proletariat, the launching of a so-called "great political revolution by which one class overthrows another class," it will produce serious effects. Only by upholding leadership by the party will it be possible to maintain political and social stability. If we divorce ourselves from leadership by the party, encourage and support spontaneous actions by the masses, and engage in so-called "great democracy," it will inevitably lead to a chaotic political situation. We must safeguard the system of democratic centralism, carry out necessary reform in the structural area, guard against the party's power becoming excessively centralized in individuals, and guard against the spread of individual arbitrary decisions and personality cults within the party, and so on. These lessons must be firmly remembered.

Thoroughly negating the "Great Cultural Revolution" does not, however, mean negating everything during the period of the "Great Cultural Revolution." The "Great Cultural Revolution" and the many things which were done during the period of the "Great Cultural Revolution" are related, but the two are not synonymous. During the period of the "Great Cultural Revolution," agricultural production still saw stable development, some breakthrough advances were made in various scientific and technical fields, and much pathbreaking work was done on the foreign relations front. The advances of course cannot be assigned to the "Great Cultural Revolution" ledger. We should clearly recognize that the main elements in the history of the "Great Cultural Revolution" period were not the two counterrevolutionary cliques of Lin Biao and Jiang Qing, but were the party and the broad masses. During this period, the nature of our party, the people's political power, the people's armed forces and the whole society did not change. It was through the joint struggle of the party, the broad masses of workers, peasants, the officers and men of the PLA [People's Liberation Army], the intellectuals, the educated youth, and the cadres that the harm brought by the "Great Cultural Revolution" was contained within certain limits and the turmoil was finally brought to an end. This situation further proves that our people are a great people, and that the party and the socialist system have a great and indomitable vitality.

3. Looking squarely at the mistakes made by the party and drawing lessons from them is intended to better build socialism and better consolidate leadership by the party.

A very important issue in correctly summing up the experiences and lessons of history is, by proceeding from a correct position, to carry out scientific analysis of the mistakes and setbacks which occurred in history.

First, how did our mistakes occur? Many of our mistakes occurred because we did not have clear understanding of the patterns of socialist construction and there were contradictions between the subjective and the objective.

Also, because the socialist system is still in the initial stage, various of its systems and links are incomplete and immature, and this led to where some mistakes could not be discovered and corrected in a timely way. However, none of the mistakes occurred because we established a socialist political system, led by the working class and based on the alliance of workers and peasants, and a socialist economic system which is based on public ownership of the means of production.

Second, because none of our mistakes were produced by the basic system of socialism, but mainly by contradictions between the subjective and the objective, as soon as we recognized these mistakes, we could rely on the strength of the socialist system itself and the people led by the party to correct them. The mistake of the "Great Leap Forward" was made by our party and was also corrected by our party. The mistake of the "Great Cultural Revolution" was also made by our party and was also corrected by our party. If these mistakes were the result of the basic system of socialism, such correction would have been difficult to achieve. This proves that our party and our socialist system have a capacity for self-purification and self-development.

Third, we must also recognize that, as far as a Marxist political party is concerned, the making of mistakes is not a purely negative thing. We of course do not hope to make mistakes and particularly do not hope to make major mistakes. However, actually, it is impossible not to make mistakes. The problem is how we deal with mistakes. Our party, as a Marxist political party, adopts, with respect to mistakes made, an extremely serious attitude of responsibility to the people. With respect to the mistake of the "Great Leap Forward," the central authorities subsequently made a summing up at a 7,000-person meeting, and Mao Zedong and other central leaders made self-criticisms. Although at that time the understanding of the problem was not thoroughgoing, the attitude to the problem was solemn and serious. With respect to the mistake of the "Great Cultural Revolution," the central authorities not only firmly carried out the work of bringing order out of chaos, but also officially made the "Resolution on Several Questions in the History of Our Party Since the Establishment of the PRC" and openly talked about the lessons learned from the mistakes to the whole party, the whole country, and even the whole world. It was only because we seriously summed up the positive and negative experiences and lessons that our party was able to put forward the theory of the primary stage of socialism, formulate the basic line of one focus and two basic points, and a set of principles and policies which accord with China's national situation and, through carrying out modernization and implementing reform and opening up, realize a new situation in our socialist cause. The reason we say that the CPC is a great, brilliant and correct party is not because it has never made mistakes but rather that it is able to sum up the experiences of mistakes, learn through the mistakes, raise understanding of objective patterns through the lessons of the mistakes, correct mistakes and thereby

ensure that mistakes become the precursors of that which is correct. We are full of confidence for the prospects of the undertaking of Chinese socialism led by the CPC. This is both because of the great achievements already realized in the socialist cause and also because the party has made mistakes and has been able, through summing up the experiences and lessons, to understand many things which it would not have been possible to learn, or not have been possible to properly learn, if mistakes had not been made. These experiences mean that it can avoid again making those mistakes made in the past and guarantee that the undertaking it leads can advance and develop victoriously along the correct road. Through the study of party history, we should gain this sort of faith in the party's cause.

IV. In Study of Party History, We Must Implement Principle of Linking Theory With Reality

The linking of theory with reality is the principle our party has always advocated in the study of Marxist theory. In the study of party history, as in the study of philosophy, political science and scientific socialism, we must stress linking the study with reality.

First, it must be linked with the reality of building socialism with Chinese characteristics.

The study of history is intended to serve the present, and summing up historical experiences is intended to guide current struggle. The solemn mission of a modern CPC member is to uphold the party's basic line, to unify and lead the people of all nationalities throughout the country in following the road of building socialism with Chinese characteristics, to be self-reliant, to assiduously engage in pioneering work, and to build our country into a modern socialist country which is strong, democratic, and educated. It was not easy for the Chinese people to make the historical choice of socialism, and, in particular, it was not easy for them to find a road by which to build socialism with Chinese characteristics, and to formulate the party's basic line of the primary stage of socialism. The arduous exploration involved successes and victories and also involved mistakes and setbacks. We must, through the study of party history and linking this with the realities of socialist modernization, sum up the positive and negative experiences and lessons, strengthen our consciousness for implementing the basic line of the party and struggle unendingly to complete the solemn mission of the modern CPC member.

In adhering to the road of socialism, we must resist hostile domestic and foreign forces and guard against peaceful evolution. In this respect, we can draw on the spiritual strength gained from party history and obtain valuable enlightenment. For example, if we understand the historical characteristics of the party's emergence and development, it will be of help to us in strengthening our faith in the defeating of peaceful evolution. Our party emerged under specific historical conditions. On the one hand, it was established after the victory of the October Revolution in Russia and after the revisionism

of the Second International had met defeat. What our party accepted was a complete Marxist scientific world view and theory of social revolution, which had not been emasculated by the revisionists. It was Leninism, a Marxism which had been developed in a period of imperialism and proletarian revolution. It was a revolutionary Marxism and a scientific socialism which was clearly differentiated from the bourgeois and petit bourgeois ideological schools and from revisionist ideas. That is to say, as soon as our party was established, although the theoretical preparations were not full, its ideological base was very firm. Within our party, there is no social democratic tradition. There is only a Marxist-Leninist revolutionary tradition. In another respect, our party emerged on the basis of the Chinese worker's movement. Within the working class of semicolonial China, there did not exist the labor aristocracy which existed in the European capitalist countries, and there did not exist, or essentially did not exist, an economic basis for social reformism. Apart from a very small number of worker bandits, the whole class was the most revolutionary. That is to say, although the number of the Chinese working class was very small, they were very revolutionary and thus the class basis for the establishment of the party was also very good. The situations in these two respects show that our party is a party which has had Marxist-Leninist theory as its base from the beginning, and from the beginning has been a new style working class political party which has been clearly differentiated from the Second International revisionism and social democracy which worshipped the bourgeois democratic system. By understanding this historical characteristic of the party, we will be able to understand that at a time when the ideological tides of social democracy or democratic socialism are flooding many countries, it is certainly not coincidental that our party has been able to firmly maintain a Marxist-Leninist revolutionary position. Of course, we must also recognize that in these few years, the ideological tide of democratic socialism has had quite an influence on some people in our country and especially upon some young people. Thus, we cannot just relax with the innate political superiority of the party. Rather, we must engage in active ideological struggle, clearly draw a line between Marxism and anti-Marxism and maintain and develop our political superiorities.

Our party has always held that Marxism must be combined with our country's realities. CPC members are both firm international communists as well as the most loyal and firm patriots. Our party has always stressed the safeguarding of the overall international communist movement, but at the same time has always firmly safeguarded the interests of the Chinese nation and never been the least vague about this. Not only has our party engaged in a long period of bloody struggle with the aggressive imperialist forces, but at the same time has adopted a firm attitude of opposition to the odious attitude and principles adopted by some people in the international communist movement of speaking of a "father party" and ordering others about. Mao Zedong

and other proletarian revolutionaries of the older generation established for our party the ideological line of proceeding from reality and creatively using Marxism, and established the historical tradition of taking independent responsibility for the Chinese revolution and the building of China. This resulted in Marxism and socialism being able to take deep root in the great land of China and in the hearts of the Chinese people, and resulted in our country, our armed forces and our people being generally able to pass the tests presented by the great storms and withstand the pressure from all sides. It also resulted in the Chinese communist movement having a powerful strength which could not be shaken or overcome. This is the basic reason why, at a time when the international communist movement has suffered major setbacks, CPC members are able to stand rock-firm in the storms and the great banner of socialism can still flutter loftily over the great land of China.

Linking the realities of the current struggle between peaceful evolution and counterpeaceful evolution with the study of party history is also helpful for us in raising our consciousness for resisting peaceful evolution and mastering policies for withstanding peaceful evolution. Seen from history, our party has always maintained a high degree of vigilance with respect to the imperialist countries' strategy of carrying out peaceful evolution. On the eve of the victory of the Chinese revolution, Mao Zedong wrote a series of articles including "Casting Away Illusion, Preparing for Struggle," in which he revealed that the imperialist forces had placed their hopes in a plot whereby the democratic individuals of China would lead China along the capitalist road, and he called on people to clearly understand the essence of imperialism and to do well in preparing ideologically for a long period of struggle. By the 1950's, after Dulles had formally put forward the strategy for peaceful evolution, Mao Zedong again stressed that it was necessary to guard against peaceful evolution and guard against the party and the state changing their hue; that it was necessary to be vigilant against revisionism, because revisionism can lead to the revival of capitalism in a socialist land; and that it is necessary to train hundreds of thousands of successors to the revolutionary cause, so as to smash the dreams of the imperialists by which they place their hopes of reviving capitalism on China's third or fourth generation. Mao Zedong did make some mistakes in his appraisal of the class struggle situation, and he opposed many nonrevisionist things by considering them revisionist, which resulted in him making the mistake of expanding class struggle, which finally led to the chaos of the "Great Cultural Revolution." However, many of Mao Zedong's conclusions on opposing peaceful evolution were rich in foresight and they have profound significance and are of major value. We should study again Chairman Mao's correct conclusions on opposing peaceful evolution and draw enlightenment from them, while at the same time we should draw warning from his mistakes.

How, under the conditions of reform and opening up, do we oppose peaceful evolution? This is a new problem we

face, but in this respect, if we seriously study the experiences of party history, we will be able to draw from it much enlightenment. For example, during the period of the war to resist Japanese aggression, we cooperated with the KMT. Chiang Kai-shek had originally adopted a policy of violent elimination with respect to the Communist Party, but because the situation had changed at that time, he was forced to establish a unified front relationship with us. However, his anticommunist position did not change. Thus, on the one hand, he cooperated with us, but on the other hand, he adopted a policy of restricting the communists and dissolving the communists. Restricting the communists involved not allowing the revolutionary force led by our party to be independently developed, while "dissolving the communists" meant, using today's terminology, that he sought ways to achieve peaceful evolution of our party. How was our party to handle this problem? We did not, on the grounds that Chiang Kai-shek's position was still anticommunist, cut our links with the Chiang Kai-shek group of the KMT. Rather, we adopted a strategy whereby we were both unified and independent, both linked and still engaged in struggle, and adopted a policy of developing progressive forces, vying for middle forces and isolating obstinate forces. In this struggle, we upheld the principles of reason, benefit, and integrity. The result of doing things in this way was that our party upheld the anti-Japanese national united front, but was not "dissolved" by the KMT, and the revolutionary power led by the party also saw very great development. Of course, the relations we have with Western capitalist states today are different from those established with Chiang Kai-shek at that time. However, by again studying these historical experiences, we will be able to gain some important enlightenment as to how to both uphold reform and opening up, as well as withstand peaceful evolution.

Second, it must be linked with the realities of opposing the ideological tide of bourgeois liberalization.

Party history is not something which can be undertaken in a quiet library. It is combat work which must be done on the very front line of ideological struggle. In recent years, the people within the country who uphold bourgeois liberalization have sensitively recognized the importance of party history work and have wantonly distorted party history. They deny the necessity of China following the socialist road and spread the "theory of mistaken choice," they compare the achievements realized by socialism in China with "a forced abortion of incipient capitalism," and they try to prove that China should not have taken the socialist road and should rather have taken the road of capitalism. They also slander what China is engaged in as "feudalism daubed with socialist paint." They deny the achievements during the 40 years since the founding of the PRC and spread the "theory of the defeat of socialism" and so on. The spread of such absurdities has caused some people, and especially some young people who lack political experience and historical knowledge, to experience serious ideological confusion. Also, some middle-aged or older

persons, because they do not study party history, cannot easily engage in rational criticism of these absurdities. Some have even forgotten the past and have become mixed up about right and wrong. We must, through the study of party history, clarify the confusion they have created, further resolve the profound ideological problems of the cadres and the masses and thereby firm socialist faith and strengthen the consciousness of building socialism with Chinese characteristics.

Third, it must be linked with the realities of the forging of party spirit and the transformation of world view.

The history of the development and strengthening of our party is a history of the party continually strengthening itself. The rich experiences of self-construction by the party have firmed and developed the Marxist theory of party building. This includes the basis essence, aims, guiding ideas and organizational principles of a proletarian political party, the fine traditions and work styles of the party, and so on. This requires that we not study party history as general social science knowledge, but rather that in our study, we closely link up with our own ideological realities, develop criticism and self-criticism, consciously transform our ideas and continually improve our work. This year is the 50th anniversary of the beginning of the Yanan rectification. In February 1942, Comrade Mao Zedong made the report "On Rectifying Party Style" at Yanan, and from that time on there was a rectification movement throughout the entire party. This was a very important page in the history of the CPC, and was also a great beginning in the international communist movement. The method of the rectification involved serious reading of articles, linking this up with ideological and work investigations, developing criticism and self-criticism, attaining uniformity on the ideological understanding level, and making clear the orientation for future efforts. This was extremely important in the forging of party spirit and it powerfully spurred a transformation in the world view of the broad masses of party members and especially of party cadres. Today, we should bring the spirit of the Yanan rectification into play and, in our study, be brave in analyzing ourselves, see how we have done in the forging of party spirit, and especially see how we have performed in the three tests of holding power, in reform, opening up, and developing the commodity economy, and in opposing peaceful evolution. We need to affirm the achievements but also need to seek out the problems and firmly improve matters in those areas. Only in this way will it be possible to truly realize the anticipated results in the study of party history.

Party-Building Lines of Marxism, Opportunism Viewed

92CM0222A Beijing XUEXI YU YANJIU [STUDY AND RESEARCH] in Chinese No 1, 5 Jan 92 11-13

[Article by Fan Ping (5400 1627): "Uphold Party-Building Line of Marxism, Oppose Party-Building Line of Opportunism"]

[Text] In the international communist movement there has always existed a struggle between the party-building line of Marxism and the party-building line of opportunism. The party-building line of Marxism is certainly being enriched and developed in its struggle with the party-building line of opportunism. And the proletarian party of Marxism has also passed the test in the struggle between the two party-building lines, and has gradually matured and grown in the struggle.

At present the concentrated manifestation of the struggle between the party-building line of Marxism and the party-building line of opportunism is: either uphold the cardinal theoretical principles of a Marxist party, making the party more mature, more strong, and more of a working class vanguard full of fighting power; or depart from the cardinal theoretical principles of a Marxist party, thereby turning it into a social-democratic party. The evolution of the ruling communist party and its change into a social-democratic party is now, in the international communist movement, an ideological trend of Right opportunism that opposes the party-building line of Marxism.

The party-building line of Marxism is fundamentally opposed to the party-building line of opportunism.

On the question of the nature of a party, the party-building line of Marxism upholds and emphasizes the party's nature as the vanguard of the working class, and represents the fundamental interests of the masses of people, but it does not, because of this, become "a party of the entire party." We stress that the party's nature as the working class vanguard is consistent with the fact that the party is the true representative of the interests of all the people. Marx and Engels long ago pointed out: "All movements of the past were movements of a minority of the people, or were movements that sought the interests of a minority of the people. The proletarian movement is a movement of the great majority of the people, is an independent movement that seeks the interests of the great majority of the people." (*Selected Works of Marx and Engels*, vol 1, p 262) Our party's purpose in serving the people wholeheartedly profoundly embodies the party's nature as the working class vanguard. But the party-building line of opportunism stresses that the party is "the party of the entire people" and represents "the interests of the entire people." It asserts that the party is not a class party, and neither wants to become the vanguard of a class nor wants to become the vanguard of a social stratum. Because it denies the party's class nature and denies the party's nature as the working class vanguard, it also denies the party's advanced nature and the party's ruling position and leadership role. The reason that people advocating the party-building line of opportunism preach that the party is the party of the entire people is that there is now no other party, and, when the multiparty system becomes a reality, whose interests the party represents will become the most difficult problem for them to handle. With regard to the wording "the party of the entire people," they also feel that they cannot justify themselves and that this theory

has gone bankrupt of itself. They have publicly decided that their party is to be a parliamentary party, and that the name "communist party" should be changed to "social-democratic party" or "socialist party."

With regard to the question of the party's guiding ideology, the party-building line of Marxism insists that the party's theoretical basis is Marxism. This is a fundamental characteristic and a great superiority of a Marxist proletarian party. Just as Lenin pointed out: "Only a party with advanced theory as its guide can play the role of an advanced fighter." (*Selected Works of Lenin*, vol 1, p 242) This is the factor that determines the extreme importance of the party's nature as the vanguard of the proletariat. The party-building line of opportunism advocates the pluralizing of ideology, and will "resolutely abandon the monopoly on ideology" and negate the guiding position of Marxism. Some parties profess Marxism-Leninism but abandon its fundamental revolutionary principles. They emphasize that the ideological basis of the party is pluralistic, including in it the complete acquisition of socialist and democratic thought, and even including the ideas of Christianity and many other schools of philosophy, and in reality abandoning Marxism-Leninism.

With regard to the party's struggle goal, the party-building line of Marxism is based on the law of the development of human society, viz., that socialism and communism will inevitably replace capitalism. It makes communism the struggle goal, and to attain this goal it sets programs, lines, and policies for different periods of time. But the party-building line of opportunism opposes making communism the final struggle goal, maintaining that a communist society, in which there is the principle of "from each according to his ability, to each according to his needs," is a Utopia, a fabrication. People who uphold the party-building line of opportunism maintain that their experiences do not provide a basis for thinking that this goal, in the foreseeable future, can realistically be attained. The struggle goal that they set is democratic, humanitarian socialism, and they have put forward the "convergence theory," which maintains that the multidimensional nature of the world as a whole will cause the capitalist trend and the socialist trend to intertwine on a global scale. They advocate a mixed economy, the pluralization of the forms of ownership, an equality of the components of the diversified economy, a transition to the market economy, etc., all of which in reality means privatization. They say that "the interests of all mankind are higher than everything else," and abandon the theory of class struggle and proletarian dictatorship, making the abandonment of proletarian struggle a sign of the rupturing of the original communist party.

With regard to the question of the party's organizational principle, the party-building line of Marxism insists that democratic centralism is the party's fundamental organizational principle and organizational system. This is because only democratic centralism can make the party organization a unified whole that is tightly organized, strictly disciplined, and full of fighting power, and can in

the organizational aspect ensure the party's centralized unity as the working class vanguard. But the party-building line of opportunism opposes the democratic dictatorship, maintaining that democratic dictatorship causes inner-party dictatorship, autocracy, totalitarianism, and bureaucracy; and it wants to put into effect the "principle of diffusion of all powers" and the principle of unconditional democracy. It emphasizes the so-called individual sovereignty of party members, advocates the absolute freedom of party members and the broad autonomy of basic-level organizations, and permits the existence of inner-party factions and factional activity. Thus it causes within the party ideological chaos, organizational looseness, lax discipline, and the appearance of a great number of factions, as a result of which fighting power is lost.

With regard to the question of party member qualifications, the party-building line of Marxism insists that the party members be proletarian vanguard fighters with communist consciousness, and stresses that party members must unconditionally adhere to the proletarian world view. But the party-building line of opportunism, with the value outlook of the bourgeoisie, viz., the so-called true humanitarianism with the people as the masters, individual freedom, etc., as the value outlook of communist party members, advocates that a party member has the right to become a theist or religious believer, and according to his own choice work within the party organization or support the party organization in another way.

With regard to the question of the party's position and role, the party-building line of Marxism insists on the party's leading position and leading role in revolution and construction, stressing that the party exercises leadership over the state and the armed forces as well as over the worker, youth, and women's mass organizations. Before coming to power the party, in order to seize power, waged a struggle for its ruling position; after coming to power, in order to consolidate its ruling position, the party waged a struggle to build socialism and achieve communism. But the party-building line of opportunism advocates the abandonment of the party's "political monopoly" and the elimination of the party's ruling position and authority, advocates the multiparty system and parliamentary democracy, stresses the independence of mass organizations, and advocates that the party become a parliamentary party. If through parliamentary struggle it does not obtain the ruling position, then it is to become a "constructive opposition faction."

If the ruling Communist Party were turned into a social-democratic party it would be bound to lose its ruling position and leading position, forfeit the results obtained in socialist revolution and socialist construction, and switch to the track of capitalism. To uphold the party-building line of Marxism and oppose the party-building line of opportunism, to uphold the cardinal theoretical

principles of a Marxist party and oppose the transformation of the Marxist proletarian party into a social-democratic party, and to draw a clear line of demarcation between the Marxist proletarian party and a social-democratic party is the chief task put before each member of the Marxist proletarian party.

In recent years, in our country and our party, the ideological trend of democratic socialism has been reflected. For example, privatization in economics, the multiparty system in politics, and pluralization as the guiding ideology have had a fairly large influence in China. Within the party there was also pressure from the dreaded so-called world democratic tide and pandering to the needs of bourgeois liberalization, which shook the party's ruling position and leading position. It was thought that the pluralization of the interests of society would be bound to lead to political pluralization, and then give rise to the multiparty system. With regard to the party's leadership, only its political leadership was stressed, and the party's ideological leadership and organizational leadership were negated. Also the strange idea was put forward that the functions of the local party committee be interposed between the center and the basic level, which in reality would eliminate the local party committee's leadership function and make the center's leadership a mere figurehead. In particular, there was a negation of the political core position and leadership role of the basic-level party organization, promoting "spare-time transformation" and "part-time transformation," which would turn the basic-level organization into a loose social and political organization that would not play the role of a fighting force. Communist ideals were not put forward, party member standards were not insisted on, and it was advocated that productive force standards replace party member standards and the principle that cadres have both ability and political integrity. It was thought that the socialist path could not be clearly explained, and, on the contrary, a great deal of interest was felt in the practice of privatization. The party's democratic centralization was not upheld and was even sabotaged. If this kind of thinking were to continue to develop, the party would gradually evolve into a social-democratic party.

If we do not uphold the party-building line of Marxism and if we negate the cardinal theoretical principles of a Marxist party, the party will deteriorate, the successes in revolution and construction will be forfeited, and the state and the social system will change in nature. To uphold the party-building line of Marxism and to uphold the cardinal theoretical principles of a Marxist party, we must sum up the experiences and lessons of building the party internationally and domestically, oppose and criticize the party-building line of opportunism, uphold and develop the cardinal theoretical principles of a Marxist party, and raise the party building to a new level.

The cardinal theoretical principles of a Marxist party constitute the main parts of the party-building line of Marxism. The party's nature, its guiding ideology, its program and line, its leading position and leading role,

its organizational principles, its member standards, its cadre qualifications, and other cardinal theoretical principles are organically related. The party-building line of Marxism is an integrated system. For example, the party's nature is mutually related to the party's leading position and leading role. Only by upholding the party's nature as the vanguard of the working class can we uphold the party's leading position and leading role. The organizational principles of the party's democratic centralism are required by the party's nature and its leadership. Only by upholding the party's democratic centralism can we in organization and system uphold the party's nature as the vanguard of the working class and ensure the correctness of the party building and its thorough implementation. The party's guiding ideology plays a decisive role in determining the party's nature, and if the party's guiding ideology changes the party's nature is bound to change; and the change in the party's nature is also bound to change the party's guiding ideology. The party member standards are determined by the party's nature, and if the party's nature changes the party member standards are bound to change; the change in party member standards is also bound to affect the party's nature. Also, every cardinal principle influences every other cardinal principle. If a cardinal principle is changed or abandoned, other aspects will be affected, and the party will gradually and completely change into a social-democratic party. A change in the party's nature is bound to cause a series of changes in all aspects. Therefore, to uphold the party-building line of Marxism and oppose the party-building line of opportunism, we must uphold every cardinal theoretical principle of a Marxist party and, under new circumstances, develop it.

The core of upholding the party-building line of Marxism and the cardinal theoretical principles of a Marxist party are to uphold the party's nature as the vanguard of the working class. The party's nature as the vanguard of the working class determines the party building in the aspects of ideology, politics, organization, work style, and system, and the building in these aspects also rests on the party's nature as the vanguard of the working class; the objective is to uphold and strengthen the party's nature as the vanguard of the working class. In the aspects of building ideology, politics, organization, work style, and system, whether the party-building line of Marxism is upheld and whether the cardinal theoretical principles of a Marxist party are upheld have a direct bearing on the question of the party's nature. The decay of the communist parties of some former socialist countries mainly began with their downslide on the question of the party's nature. They also took the downslide to becoming social-democratic parties in the aspects of the party's ideology, politics, organization, work style, and system, thereby running counter to the party's cardinal theoretical principles and taking the party-building line of opportunism. Upholding the party's nature as the vanguard of the working class is really a question of what kind of party is being built. Either uphold the party-building line of Marxism,

building the party into a stronger vanguard of the working class, and thus becoming a strong core leading socialist modernization and becoming a fighting force in the struggle against peaceful evolution; or take the party-building line of opportunism, turning the party into a social-democratic party, thereby losing the party's ruling position and leading role and turning it into a social party and a party out of office. Therefore, upholding the party's nature as the vanguard of the working class is the concentrated embodiment and fundamental demand in strengthening the building of the party. In studying and strengthening the building of the party, we must tightly grasp this key point. Losing this key point means losing the fundamental goal of building the party and losing the main part of building the party.

Anti-Corruption Struggle, Peaceful Evolution Linked

92CM0222B Beijing XUEXI YU YANJIU [STUDY AND RESEARCH] in Chinese No 1, 5 Jan 92 pp 30-31

[Article by Pi Chunxie (4422 4738 0588) and Feng Jun (7458 6511): "Significance of Viewing the Struggle Against Corruption From the Vantage Point of the Struggle Against Peaceful Evolution"]

[Text] Under the party's leadership, unflaggingly advancing along the road of revolution and opening up to the outside world is the correct and inevitable choice for China's attainment of the four modernizations and building a rich, democratic, and civilized, powerful country. The West's hostile forces, making use of China's practice of reform and opening up to the outside world, wantonly pursue against us the strategy of peaceful evolution, and by all ways and means infuse in us the values and lifestyle of the bourgeoisie. They intend to effect a fundamental shaking of the confidence in socialism of the masses of people in China, and to attain their aim of destroying the socialist system and the people's democratic dictatorship regime. In this struggle, corrupt phenomena act as the hotbed and soil of peaceful evolution. Therefore, whether we can practically and effectively solve the problem of corruption is a question related to the question of whether we can successfully withstand and shatter the peaceful evolution offensive of the West's hostile forces and stand firm amid the changeable international situation, and make taking the socialist road to the end a major issue.

Corruption means behavior in which members of the ruling party and working personnel of the state, in seeking private gain, exceed the limits of their authority, abuse their power, neglect and are derelict in their duty, ignore professional ethics, and other behaviors that corrupt the values of society. Seeking private gain at public expense is the fundamental characteristic of corrupt behavior. Here, "private interests" not only include the individual private interests of the person engaging in corruption, but also include the interests of the small group to which the person engaging in corruption

belongs. For example, in the case of collective bribing and bribe taking, bribing is a collective decision and action, and in bribe taking, within the scope of the group, there is an equal taking in which everyone gets his share. This behavior not only includes seeking money and mutual interests, but also includes seeking non-material spiritual interests. At the present stage, the corrupt phenomena about which the masses' reaction is strong are mainly: in public activities, extravagance and waste, entertaining guests and sending presents have become common practices; squandering public money on pleasure trips; abnormal purchases of and rides in imported high-class limousines; embezzling and illicitly dividing up state assets; bribing, bribe taking, demanding bribes, extortion, and blackmail; arbitrarily making appropriations, arbitrarily collecting fees, and arbitrarily imposing fines; preselling goods and materials in the state plan at a profit, and selling commodities that in great demand to obtain exorbitant profits; abnormal occupation of buildings or construction of private dwellings; being morally degenerate and undermining discipline; etc.

Although in our party and state organizations, only a tiny minority of people engage in corrupt behavior, they have a serious impact on society. They cause dissatisfaction among the masses of people and lower the prestige of the party and government. If the phenomena of corruption continue to spread, not matter what, the party and government will lose the trust and support of the masses of people to the extent that there will be a danger of the party and state perishing. The peaceful evolution plotters at home and abroad are taking advantage of the masses of people's feelings of dissatisfaction with the corrupt phenomena in the party and the state, and of their best interests in demanding the eradication of corruption, to put forward a set of tactics for peaceful evolution. The main ideas of this set of tactics are: First, exaggerate the corrupt phenomena existing in the party and government, give the people the wrong impression about the party's leadership and the government's work, and go on to incite and exacerbate the antagonistic feelings of the masses of people for the party and government. Second, they spread the propaganda that the source of corruption is the party's leadership and the socialist system. Third, they spread the propaganda that the Communist Party and the people's government under its leadership will not and cannot solve the problem of corruption. Fourth, they reach the following conclusion: to solve the problem of China's corruption, the Communist Party's leadership must be overthrown and a Western-style multiparty system and capitalist system be put into effect.

The abovementioned argument with an ulterior motive is obviously extremely mistaken, and must be exposed and refuted. The source of corruption is the word "private." The Communist Party does not have any private interests of its own. It is the true representative of the people's interests, and wholehearted service to the people is its perpetual, unchanging aim. The goal of Communist Party members is, through the development of the socialist system on the basis of public ownership,

to achieve communism and to gradually eliminate all the ugly social phenomena of private ownership as well as the private ownership mentality. The party's leadership and the socialist system are not only not the source of corruption; on the contrary, only the party's leadership and the socialist system can in the end solve the problem of corruption. At China's present stage, the main reasons for the appearance of corrupt phenomena are: first, in the initial stage of socialism we cannot completely eliminate the private ownership parts of socialism, and the private ownership mentality still widely exists; second, during the process of reform and opening up to the outside world, a minority of the party members and the cadres cannot pass the test, and they use the authority given to them by the people to seek their private interests; and third, our ideological and political work, and the setting up of sound mechanisms for inhibiting corruption, have not kept pace.

What needs to be stressed is that, in theory, the refutation of the abovementioned argument for peaceful evolution is far from being enough. We must very effectively check corrupt phenomena, and use facts to prove that our theory is correct. Only in theory will the masses of people further enhance their confidence in the party's and government's drive against corruption, and thus smash all kinds of sham and deceitful propaganda made by the hostile forces to push peaceful evolution. Therefore, the vigorous launching of a struggle against corruption is of important significance for opposing and resisting peaceful evolution.

1. Launching a struggle against corruption will be of advantage for raising the public servant consciousness of the state's working personnel and making the great majority of them honest in performing their official duties and consciously implementing the aim of serving the people.

The public servant consciousness of the state's working personnel, as well as their arduous, plain spirit of serving the people wholeheartedly, constitute an ideological dam resisting corruption. However, the public servant consciousness and the spirit of serving the people wholeheartedly do not drop from heaven and they cannot be spontaneously produced. The cultivation of this consciousness requires that we uphold unflinchingly the inculcation of education. There was a period of time when, under the influence of the ideological trend of bourgeois liberalization, we slacked off the education on the party's own building and, under the new circumstances of reform and opening up to the outside world, the education on honest, hard-working government. Some cadres, whose revolutionary will was not firm and whose party spirit was not pure, laid down their ideological weapons and sank into corruption. Just as Comrade Deng Xiaoping pointed out: "The biggest error in the past 10 years was made in education There was very little education on arduous pioneering work, on what kind of country China is and what kind of country it will become. This was a very big error on our part." Therefore, in launching a struggle against corruption, first of

all we must get a grip on the ideological education of party members and cadres and, through the struggle against corruption, give all party members and cadres a wide-ranging education in enhancing their public servant consciousness, in honest and hard-working government, in the party spirit, in the party's aim and ideals, and in education, so that the great number of party members and cadres strengthen their faith in socialism and communism, establish the idea of wholeheartedly serving the people, are honest and self-disciplined, and consciously resist the corrosive effect of corruption. In the struggle against corruption, a number of corrupt elements will certainly be investigated and dealt with. This will sound the alarm for those people who have corrupt motives, and at the same time it will be an encouragement to good cadres whose standing is firm and who honestly perform their official duties. Thus the struggle against corruption will play both a positive and negative role in educating the cadres.

2. Launching a struggle against corruption will be advantageous for strengthening the faith in socialism of the masses of people and their true support of the party leadership, thereby making closer the ties between the party and the masses, the government and the masses, so that peaceful evolution has no opportunity that it can take.

Corruption causes dissatisfaction and resentment among the masses of people. If we vigorously and decisively launch a struggle against corruption, are not soft-hearted with regard to corrupt elements no matter whether their position be high or low, we can turn bad things into good things. Through a struggle full of successes against corruption, the masses of people will realize that the party and government are honest, that they do not permit corrupt elements and corrupt phenomena to exist within themselves. The masses of people will feel from the bottom of their hearts that, in punishing corruption, the party and government have the same desires and demands as the people, and from beginning to end the masses of people will stand with them, which will be a powerful blow to corruption. The results obtained by the struggle against corruption will strengthen the people's support of the party's leadership and their faith in socialism, and will make closer the ties between the party and the masses, the government and the masses. A premise for peaceful evolution is a change in the relations between the party and government on the one hand and the masses on the other; if the opposite is the case, the plot to bring about peaceful evolution will collapse of itself.

3. Launching a struggle against corruption will vigorously promote the deepening of the reform of the system, and will ensure that the socialist system heads in the correct direction.

An important part of the struggle against corruption is, focusing on corrupt phenomena, the analysis and study of the flaws in the system that produce these phenomena and the measures to take to remedy these flaws. In the

process of discovering the flaws and remedying them, our reform of the political system and economic system can be constantly deepened, causing the socialist system to be constantly perfected. For example, in the economic system China in the past did not have regulations prohibiting party and government cadres, and their relatives and children, from engaging in business. After the appearance of official reselling of goods at a profit and other corrupt phenomena in the commodity circulation domain, China established a set of rules and regulations prohibiting party and government cadres, and their relatives and children, from engaging in business. In a certain sense, corrupt phenomena can, from the negative side, play a role of guiding and deepening the reform of the political system and economic system. In the process of the struggle against corruption, we can, in a focused manner, establish a complete set of rules and regulations for honesty in the political, economic, cultural, and all other aspects, and promote the perfection of interrelated rules and regulations.

4. Launching a struggle against corruption will vigorously promote the building of socialist spiritual civilization, and go on to form a value concept, force of public opinion, theoretical guidance, and social mood conducive to the upholding of the four cardinal principles.

The 10 years of reform and opening up to the outside world have emancipated the people's minds and replaced the people's concepts with new concepts. In the clash between the new concepts and the old concepts, there is the question of what ideas and concepts are ossified and outmoded and need to be replaced, as well as what kind of new ideas and concepts need to be established. Different people have different answers to this question. Cadres and party members with a strong party spirit think that faith in communism must not be lost, and that the good character of serving the people wholeheartedly, being honest in the performance of one's official duties, and waging arduous struggle should be upheld. A minority of party members and cadres whose party spirit is impure and who cannot withstand the enticement of money that that emphasizing the principle of party spirit, and making strict demands on oneself in line with party member standards, is a case of conservative ossification and binds the hands and feet of reform. They think that the tradition of arduous struggle is already outmoded, and that putting money first, making use of each other, and gaining solid profits are the value concepts most worthy of high praise.

Some party members and cadres are even influenced by the ideology of bourgeois liberalization, and they advocate the abandonment of the central concepts of Marxism, the dilution of the party's leadership, and the wholesale importation of Western value concepts and political theories. Launching a vigorous struggle against corruption will be advantageous for making clear the confused state of affairs in the ideological domain. Through bringing to light the ideological source of the corrupt activities carried out by corrupt elements, and establishing the value concepts of the honor of honesty

and the shame of corruption, and through the force of public opinion, theoretical guidance, and the mood of society, the building of socialist spiritual civilization will be promoted, as will the immunity of the party members, cadres, and all of society to the infiltration of bourgeois corrupt ideology and culture; and the consolidation of the results of the struggle against corruption will get this struggle involved in creating a good environment.

Chen Junsheng on Functions of County Organs

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13 Mar 92 pp 1, 4*

[Article by Chen Junsheng (7115 0193 3932): "On Effecting Change in Functions of County Level Administrative Organs"]

[Text] Article 35 of the "Decision By the CPC Central Committee on Further Strengthening Agriculture and Rural Work" adopted by the Eighth Plenary Session of the 13th Central Committee stipulates: "Party committees at central, provincial, autonomous regional, and municipal levels should exert very great efforts in their rural work. Party committees at prefectural and county levels should place their work focus and major energy on rural work and major leading comrades should personally conduct investigation and research, make arrangements, supervise, and accelerate fulfillment of assigned tasks. A county is at the junction of the urban and rural economies; it is vitally important for it to augment agriculture and rural work and it should be endowed with the authority indispensable in making unified planning for economic development and harmonizing relations between departments." It is necessary for us to profoundly study and implement the spirit of the Eighth Plenary Session to study the issue of converting the functions of county-level administrative organs.

The roles and functions of administrative organs at county level are very important. This finds expression in that: First, they cover an extensive scope. Currently there are 2,181 counties (including county-level cities) across China, comprising a rural populace of some 900 million. The development of enterprises in townships and towns and the entire rural areas is closely linked to county-level administrative organs. Second, county-level administrative organs play the role of forming a link between the preceding and the following. The prefecture-county system was first established in China during the Qin Dynasty. In the course of historical development over several thousands of years, the county system has not been abolished through all the dynasties since its establishment and continues to the present day. This shows the establishment of county-level administrative organs falls in line with China's actual conditions. Today, the county authorities are subordinate to the central, provincial, and city (prefectural) authorities, being responsible for the vast rural areas. All party and government principles and policies are implemented through county-level administrative organs. At the same time, the county

authorities reflect the aspirations, voices, and requirements of the masses to the provincial, prefectural and central authorities, providing grounds for governments at all levels to make decisions on agriculture and rural work. And third, county-level administrative organs are very representative of administrative organs of all levels, being "small but complete." Research in restructuring county-level administrative organs and the conversion of their functions may be referred to by administrative organs at all levels.

China has scored eye-catching accomplishments in agricultural production over the past two years, especially the bumper harvests in grain, cotton, edible oil, meat, sugar, and fruits which helped realize a basic balance in general supply and demand at a rather high level and played a key role in China's political and social stability and economic prosperity. This was inseparable from the hard work of county-level administrative organs and their broad mass of cadres and shows that county-level administrative organs have played their due role. We should fully affirm county-level administrative organs' tremendous role since the PRC's founding and, on the other hand, see their existing malpractices. For example:

First, there is work which people are not doing and there are people who are not doing anything. There is urgent work in some aspects with nobody doing anything about it and, when the masses have complaints, they do not know to whom they should report, while some people are doing practically nothing all day and are capable of whiling away the whole morning with a mug of tea, a pack of cigarettes, and a copy of CANKAO XIAOXI. The rural forefront calls for voluminous numbers of qualified people who are educated and have mastered technical know-how; but these people are crowded in party and government organs in county sites when there is urgent need for qualified people at the rural grass roots. However, the channel for qualified people to flow to the production forefront has been blocked because of the existing structure; consequently, some very intelligent people have no scope to exercise their abilities.

Second, organs swell with the drastic rise in personnel and have gone quite beyond finance's bearing capacity. Because of the drastic expansion in personnel in administrative units and institutions living on state finance, the burden has gone quite beyond finance in recent years. An important cause of county-level financial difficulties is that "there are too many mouths to feed, with few people participating in production." Many counties have inadequate income but the number of people "on government organ payrolls" has kept growing. This being the case, many organs are in arrears in their wage payments. This is a universal phenomenon and they have to live on loans. Our state administrative organs have been continuously streamlined but have failed to find an outlet for cadres. Consequently, they were transferred from a higher to a lower level, from large compounds to smaller ones, and from administrative organs to institutions, while the burden continues to fall on the state finance. Then eventually the organs swell anew, with a vicious

cycle of "streamlining—swelling—streamlining again—swelling again" taken shape.

Third, dislocation of administration and service. Theoretically speaking, "administration is service" but actually, some county-level administrative organs perform administrative functions only in the absence of service; the masses do not see that county-level administrative organs are serving them and what they see is county-level administrative organs demanding this or that from them or supervising this or that but nobody caring for their problems in urgent need of solutions. That is an important cause of the tense cadre-masses relations.

Fourth, uniformity in the establishment of organs regardless of a county's size. Some counties boast a population of tens of thousands, and even a million, but some counties have a population of only scores of thousands and some counties are comparatively well-off while others are very poor, but their establishment of organs is uniform. Whatever organs there are at a higher level, establishment of organs in the same system in the county is called for, regardless of actual needs, with a lower-level organ geared to a corresponding higher-level organ without exception. It would be very difficult to get things done at a higher-level organ in the absence of a corresponding one at a lower-level.

And fifth, arguing back and forth with low work efficiency. More organs and personnel eventually results in multiplied procedures and tiers in doing business, with the work volume for one person done by several persons and matters that should be okayed in a single day are, instead, settled in days. Hence, bureaucracy and subjective idealism is on the rise and things can be very difficult when people want to do some business and have their documents sealed. The implementation of many things which have been fixed can be very difficult because of arguing back and forth between various departments. In some cases, when a good coordination job is done, things will still have to wait for a month, or even six months, for implementation. When some localities want to do business with urgent cases, responsible departments or persons in charge are liable to throw their requests for instruction, reports, or licenses in drawers and keep them lying there for days.

The aforesaid state of affairs is by no means isolated but can be found in organs at higher, and even national, levels. Because county-level administrative organs have connections with the masses and practice, the masses have direct experience of these things. Consequently, such phenomena are all the more conspicuous.

Currently, changes in the international situation are unpredictable. At the meeting marking the 80th anniversary of the 1911 Revolution, Comrade Yang Shangkun stated: "In the world today, an extensive and profound new scientific and technological revolution is on the rise and the competition in comprehensive national strength between all countries becomes fiercer with each passing day. Backwardness spells being beaten and bullied. That

is the basic lesson we have drawn from the entire modern Chinese history. What we can achieve in the next two decades is vitally important to our nation's future and fate." This paragraph has profound implications and foresight. We must focus our energy on making the economy rise. As regards county authorities, they must further improve agricultural comprehensive production capability to augment comprehensive national strength. County-level administrative organs directly guide agriculture and rural work and research in their reform is an important component of the entire reform in China. It has been 10 years and more since rural reform began with the implementation of the contracted responsibility system on a household basis with remuneration linked to output. This reform has instilled vitality and vigor in the rural areas. Great accomplishments have been scored in China's rural reform, with a solution to the food problem for 1.1 billion people. That has rarely happened in the world. Rural reform is not complete and needs to be deepened. There is no way out through a stalemate or retrogression. Attention should be paid to doing a good job of resolving matters which are quite beyond individual peasant households and taking an active part in developing socialized services and invigorating the circulation of farm produce. This precisely requires changing county-level administrative organ functions to suit the needs of the new situation in the development of agriculture and the rural areas.

In recent years, comrades from related departments under the central authorities and various localities have attached importance to reform of county-level administrative organs and have also done voluminous work. Xixian's experience is very enlightening and typical. Although the forms and methods in the experiments conducted in all places vary, they have all conducted active exploration in the reform of county-level administrative organs and provided experiences worthy of reference.

Shanxi's Xixian has succeeded in blazing a new trail in exploring reform of county-level administrative organs and changes to their functions.

Xixian's reform began in 1988 and marked results have been scored through three years of practice.

First, reform is linked to invigorating the economy of impoverished mountainous areas, embodying the principle of taking economic construction as the center, while promoting county-scale [xian yu 4905 1008] economic development. After three years of reform, Xixian's economic growth is markedly higher than before and higher than the province's other impoverished counties. Most eloquent is the fact that in only three years, Xixian's gross grain output increased by 1.65 times, gross agricultural output value by 1.08 times, financial revenue by 1.34 times, and peasants' per capita income by 1.06 times, with quadrupling being realized in four aspects. The number of impoverished households with an annual income below 200 yuan has dropped from 5,717 in 1987 to 229 as of today, with the proportion of

eradicating poverty accounting for 96 percent. More importantly, the staying power of the economic development has magnified, with the industrial setup becoming more rational and five major industries taking shape, comprising grain, fruits, animal husbandry, edible oil and tobacco. Hopefully, Xixian's economic development will double on the current basis in another three to five years, calculated on normal development. That is an outstanding accomplishment. If all county-level administrative organs across China followed in Xixian's footsteps in the reform of county-level administrative organs, the broad mass of cadres would focus their energy on grasping economic work, grasping it in a down-to-earth way and doing substantial work; thus, the realization of being comparatively well-off in the rural areas by the year 2000 would be guaranteed. What is the criterion for judging whether or not reform is successful? It is precisely whether or not reform has promoted economic and social development. It is none other than the productive force criterion.

Second, Xixian has shifted the functions of county-level administrative organs onto the track of serving commodity production. Relying on departments involving agriculture, Xixian organized and founded 10 development service centers, including agricultural technical know-how, afforestation, tobacco, fruit trees, edible oil, drinking water, farming machinery, science and technology, and farmland building. They centered closely around the exploitation of the five major industries, initiated county-level service bodies making them the locomotive of industrial development and the bridges and ties for the peasants to advance toward the market. The way of organizing the service centers has embodied the principle of specialized production, with marked characteristics of industrial division of labor and covering all the agriculture across the county. Each center includes credits and their repayment, supply and publication of information, spreading and guidance of new technical know-how, and the processing, storage, and marketing of products in its unified administrative, service, and managerial system by centering around the development of an industry or trade to provide pre-, in-, and post-production service, while forming an inseparable body with the peasants sharing common interests. We can say that Xixian's reform has been an important step in changing government functions and developing socialized service. The Eighth Plenary Session decision stresses the need to continuously complete and perfect the two-tier managerial structure characterized by the combination of centralization and separation and establish a socialized service system; Xixian's practice is precisely an effective way of socialized "large scope service."

Third, it has found an outlet for the transfer of cadres and relieving the financial burden. Streamlining organs will inevitably be put on the agenda; however, the difficulty in cutting back on the number of organs and staffers has already become a stubborn fact. An important cause is the failure to find a solution to the cadres'

outlet. Xixian's practice has been effective. Their service organizations have initiated production bases which play a guiding and exemplary role while bringing in income and which have created important conditions for augmenting service functions and better service. Now, they are no longer crowded in their office doing nothing but have endless work to do. According to the briefing by comrades from Xixian, today, the cadres, workers, and staffers at the development center number 828, of which, 318 are administrative cadres. In 1990, the service centers handed over 196,000 yuan to the county finances, a sum equating to the wages of 100 cadres. It is estimated that in the next five years or so, around 500 cadres will no longer depend on state finances for their wages, accounting for 36 percent of the county's total number of cadres. In the past, the county finance had to worry about operational spending and wages for administrative cadres involving agriculture. Now, the service centers are handling taxes and profits over to finance; this can be said to be something new in China. They have also blazed new trails in transferring cadres, streamlining administrative organs, and establishing picked "smaller government."

And fourth, it has promoted profound changes in cadres' ideological concepts.

In the past, party and government cadres used to avoid working on agricultural system posts, but now they are vying for them. The county animal husbandry bureau system transferred 13 cadres in turn out of the system but, since the founding of its service center, nobody has asked for a transfer; instead, nine of those who had been transferred earlier have returned to the system because men always seek betterment. Xixian's reform has eased the channel for the flow of qualified people to the production forefront and has given rise to an attraction and rallying force.

Generally speaking, Xixian's attempts at reform were successful. Shanxi has already spread this experience in impoverished counties across the province by suiting measures to local conditions. Xixian is an impoverished county; are its reforms worth referring to other provinces? To my mind, Xixian's spirit of proceeding from the actual conditions, being bold in reform and exploration, and starting from reinvigorating the economy is worth advocating universally. Its experiences in accomplishing "smaller government, large-scope service" should be the orientation for the reform of county-level administrative organs. As to the specific ways and measures for reform, all places should refer to them by linking to their own actual conditions and suiting measures to local conditions.

We must soberly see the imperativeness of adhering to reform in all our work. Practice has shown that reform has not resulted in chaos but a fine situation. What accounts for China being able to stand firm when changes in the international situation have been unpredictable is precisely the great accomplishments in reform and opening up. From reform, the Chinese people see the

bright prospects of socialism and hope of national reinvigoration. Reform and opening up have already struck deep in people's hearts; this point is all the more conspicuous in the rural areas. We must unswervingly march along this path.

Dissident's Involvement in Bankruptcy Case

92CM0205A Hong Kong NAN PEI CHI [NORTH AND SOUTH POLES] in Chinese No 259, 18 Jan 92 pp 20-23

[Article by Shih Liu-tzu (4258 2692 1311): "Cao Siyuan's Involvement in Mainland China's Biggest Bankruptcy Case"; written 9 December 1991]

[Text] Since Mainland China Issued Its 'Bankruptcy Law' in 1986, There Have Certainly Not Been Many Enterprises That Have Declared Bankruptcy, the 'Secret' Being the Fear That Declaring Bankruptcy Would Expose the Inside Stories of Bribe-taking and Malfeasance; It Is Believed That the Storm Over the Bankruptcy Case of the Qiaohui Corporation in Hainan Province Is Merely the Tip of the Iceberg

Cao Siyuan was the first intellectual to be arrested during the 1989 student movement. The authorities arrested him secretly at noon on 3 June 1989, just before the Beijing Massacre, finally releasing him only on 9 May 1990. He now runs the Siyuan Mergers and Bankruptcy Advisory Service (SMBAS) in Beijing. A few years ago, he was asked by the Planning Department of the Hainan Provincial Government to investigate and provide advice about the bankruptcy problem of the Qiaohui Corporation in Hainan, which has involved him in a storm surrounding mainland China's biggest bankruptcy case.

The Qiaohui Corporation in Hainan had incurred debts amounting to over 110 million renminbi yuan, with its liabilities exceeding its assets by over 30 million yuan. While this had long since put it within the legal limits of bankruptcy, its creditor banks had suddenly put public pressure on, refusing to allow it to go bankrupt. Because Cao Siyuan was the earliest promoter and drafter of mainland China's "Bankruptcy Law, as well as being an intellectual who had been arrested after "the Beijing Massacre on 4 June 1989," his involvement in this case adds much interest to this article.

I have acquired first-hand information from both Hainan and Beijing on the development of this case.

"Bankruptcy Cao" and the "Bankruptcy Law"

First, as to Cao Siyuan, he is a specialist in political economics who graduated in 1982 from the Marxist-Leninist Studies Institute of the Chinese Academy of Social Sciences, where his teacher was the celebrated Zhang Xianyang [1728 7359 2254]. Cao Siyuan has worked in the CPC Central Committee Party School, the State Council Technological and Economic Research

Center, the State Council General Office Research Laboratory, and the State Restructuring of the Economic System Commission.

In early 1984, he submitted to the General Office of the NPC Standing Committee an article he had written entitled "Suggested Plans for Drawing Up a Bankruptcy Law". While he hoped that this article would be included in their legislative planning, the response that he received was that there were only two Chinese legislative channels, one being suggestions by the head of the Central Committee, and the other applications from the various departments concerned. He was told that because there was no precedent of any individual ever having suggested any legislation, this method did not conform to legislative procedure.

As Cao Siyuan was certainly not discouraged by this response, he sent the article to the weekly publication LIAOWANG and to SHIJIE JINGJI DAOBAO, hoping to influence the legislature through the media. When Li Changchun [2621 7022 2504], then mayor of Shenyang (later promoted to governor of Liaoning Province and currently governor of Henan Province), read Cao's article entitled "An Exploration of Dealing With Enterprises With Longstanding Losses Through Bankruptcy" published in LIAOWANG No 9, 1984, he looked up Cao Siyuan and told him that he wanted to conduct a bankruptcy pilot project in Shenyang. This opened the way for the drawing up of a bankruptcy law on mainland China. In February 1985, the Shenyang Municipal Government issued "Trial Provisions on Handling Bankruptcy in Municipal Collective Enterprises," drawing up at the same time bankruptcy relief measures. Wu Guanzheng [0702 1351 2973], then mayor of Wuhan (now governor of Jiangxi Province), also endorsed Cao Siyuan's idea, so he held a special "Symposium on Enterprise Bankruptcy" for Cao in Wuhan, and also started a bankruptcy pilot project there.

These echoes from Wuhan in the south to Shenyang in the north, plus the power of the news media, finally aroused the attention of senior CPC officials. In January 1985, the state set up a formal enterprise bankruptcy law drafting group headed by Cao Siyuan. The two drafts of the "Bankruptcy Law" that were submitted to the NPC Standing Committee for examination and approval in June and August of 1986, touched off a sharp debate among committee members, with many openly declaring their sharp opposition. This was the first such event in Chinese legislative history. Cao Siyuan followed up his victory with hot pursuit, by sending a copy of his just published "Discussion of an Enterprise Bankruptcy Law" to each of the over 150 NPC Standing Committee members, and telephoning them one by one to explain it and solicit opinions. While some pointed out at the time that this was "influencing the independent thinking of the NPC Standing Committee," Cao knew that it was permitted by the Constitution, so continued to persevere. On 2 December 1986, the 18th Session of the NPC Standing Committee finally voted to approve the "Enterprise Bankruptcy Law (Trial)," which changed the

situation of Chinese enterprises having been secure against bankruptcy for over 30 years.

Cao Siyuan Continues to Deal With "Bankruptcy" After Being Released from Prison

While the drawing up and putting into effect of the "Bankruptcy Law" was a readily imaginable shock to Chinese society, the success of this extra-governmental action led to the already notorious Cao Siyuan being nicknamed "Bankruptcy Cao." Cao Siyuan later submitted a plan for "a system of auditing NPC meetings," which was also accepted.

But the official view was that Cao Siyuan was beginning to go too far. In October 1988, he submitted an article on the establishment of democratic government entitled "Passage to Security", which was about parliamentary democracy. In March 1989, he submitted five suggestions on amending the "Constitution," also organizing a nongovernmental "Forum on Constitutional Amendments." In May 1989, when he collected the signatures of some NPC Standing Committee members on a "letter soliciting opinions" about a "motion to hold an immediate emergency meeting of the NPC Standing Committee," Beijing Mayor Chen Xitong called Cao a "sold-out traitor," and the central TV station in Beijing also quickly broadcast a report criticizing this initiative to collect signatures. Thus, Cao Siyuan was arrested earlier than a number of other academics and dissidents who had publicly criticized the Li Peng government very sharply.

Since he was released from jail on 9 May 1990, Cao Siyuan has resumed his unofficial studies of China's problems. As early as 1988, after he left his State Council position, he had established two nongovernmental research organizations, the Stone Social Development Studies Institute and the SMBAS, which operated with the same staffs who were allocated 180,000 yuan a year in funding from the Stone Corporation. Since Wan Runnan [8001 3387 0589] went into exile overseas, the CPC has assigned a new party committee secretary to the Stone Corporation, not only not allowing it to continue to pay Cao Siyuan's research expenses and wages, but also demanding that Cao Siyuan make a complete break with the Stone Corporation, which left Cao Siyuan for a time with no assured source of individual income. Fortunately, hard work by many parties finally enabled the SMBAS to renew its business license. This service was recently hired by the Planning Department of the Hainan Provincial Government to investigate and provide advice about the bankruptcy of the Qiaohui Corporation in Hainan Province.

A Company That Had Incurred Debts of Over 100 Million Yuan

From 7 to 16 January 1991, the SMBAS conducted an on-the-spot investigation in Hainan, immediately putting out an advisory report that has exposed the "inside story" about mainland China's biggest current bankruptcy case.

The Qiaohui Corporation in Hainan Province, whose full name is the Qiaohui Foreign-Invested Materials Supply Corporation in Hainan Province, was a state-owned enterprise that was established in 1984. At the time, it actually had less than 250,000 yuan in assets, with five directly subordinate enterprises, five mainland-linked enterprises (joint ventures with domestic enterprises), two joint-venture enterprises, and 247 personnel on its books. It was mostly serious dereliction of duty and illegal operations by its former general director, Zhang Changbiao [1728 2490 2871] (who has been arrested), that put it 110,940,000 yuan in debt, with only a little over 76 million yuan in assets, so that its liabilities exceeded its assets by over 34 million yuan. As it was unable to repay its loans to six provincial and municipal banks, three of which have brought court actions against it, it has been closed down and all of its assets have been confiscated.

As the Qiaohui Corporation's objective circumstances tallied with Article 3, Section 1 of the "Enterprise Bankruptcy Law (Trial)," which states that "enterprises with severe losses due to poor management, which cannot pay their debts, will declare bankruptcy in accordance with the provisions of this law," the Qiaohui Corporation submitted a bankruptcy application on 24 April 1990 to its responsible department, the Hainan Province Planning Department, which approved it. While Hainan Governor Liu Jianfeng [0491 0494 6912] also approved the bankruptcy application in writing on 5 August 1990, the Qiaohui Corporation's creditors, the lending banks, firmly disagreed with the "bankruptcy," and the Hainan Province Higher People's Court was also very slow in accepting and hearing the "bankruptcy application case."

This was very strange. As one of the aims of the "Bankruptcy Law" was to protect the interests of creditors, so that the banks should have welcomed the bankruptcy, why did they take such an "amazing action?"

Just Listen to the "Inside Story" of the Bank Loans

The major creditors of the Qiaohui Corporation's over 100 million yuan in debts were six special banks in Hainan Province and Haikou City, whose common responsible unit was the Hainan branch of the People's Bank of China. Why had all of these six special banks granted the Qiaohui Corporation such a huge amount of loans, on which they were unable to recoup their capital with interest? The banks have still not explained this.

The preliminary interrogation and investigation by Hainan judicial organs of the Qiaohui Corporation's former general director, Zhang Changbiao, and of concerned personnel, found that this not only was mainland China's biggest bankruptcy case, but also was probably a case of enormous bribetaking and malfeasance.

The following clues were uncovered:

1. In 1988, Zhang Changbiao asked for a loan of \$1.66 million from the international department of a certain

Haikou bank through a certain Mr. Li who was familiar with the bank. The bank presented Zhang Changbiao through Mr. Li with the following two conditions: 1. That he first give it two refrigerators; 2. That he pay a 1 percent commission afterwards. Zhang Changbiao readily agreed, sent the refrigerators, received the \$1.66 million loan, and paid the other party a 1 percent commission of 127,000 yuan;

2. In October 1988, Lin Mingzhou [2651 2494 3166], a messenger in one of the Qiaohui Corporation's subordinate enterprises, the Qiaohui Trading Corporation, signed two phony contracts in collusion with another company, which stated clearly that the Qiaohui Trading Corp must pay the fixed amount of 3.725 million yuan. Lin Mingzhou received a bank loan based on these contracts. Once the other party had collected the "fixed amount," it immediately split it up among 15 others, of whom Lin Mingzhou personally received over 220,000 yuan, and the bank collected a "benefit fee" of an as yet undetermined amount;

3. While a subordinate of the Qiaohui Corporation, a chemical plant, set up a supply and marketing department in 1987, it was not an independently accounted unit, i.e., it was not qualified to receive loans. But its leader used his personal connections and payment of "benefit fees" to obtain repeated bank loans of more than 9 million yuan. This tiny chemical plant with only 23 personnel and its supply and marketing department now owe debts amounting to over 18 million yuan;

4. While the Qiaohui Corporation originally had over 200,000 mu of idle land that it was not using, and then borrowed 5.77 million yuan from the bank to buy 300 mu more, no one can say clearly to this day where these 300 mu of land are actually located. Even less can anyone say why the bank had the gall to throw away such a huge loan on such an imaginary parcel of land!

Having cited these examples, I believe that I can leave to the readers' imagination the "secret" of why the banks refused to agree to the Qiaohui Corporation's "bankruptcy." If the Qiaohui Corporation had truly declared "bankruptcy," this biggest case of bankruptcy on mainland China would have been bound to arouse widespread attention, and the "inner story" would have no doubt come to light, which would have "caused a lot of trouble" for the bribe-taking, corrupt, and malfeasant bankers. Thus, their continued existence made them unwilling to recoup most of their loans through "bankruptcy," leaving them the only choice of allowing the Qiaohui Corporation to repay its loans slowly, "in 3, 5, or if necessary 8 years." While it would be a good thing if certain dying enterprises on the verge of bankruptcy could come back to life and retrieve their losses through "conciliation and reorganization," the Qiaohui Corporation was beyond cure, with no hope of recovery. This was the conclusion reached by the specialists in Cao Siyuan's organization who conducted the investigation.

Cao Siyuan Suggests the Best, Second Best, and Worst Plans for the Qiaohui Corporation

Cao Siyuan's advisory report noted that the best plan for the Qiaohui Corporation would be to declare bankruptcy in accordance with the law, the second best plan would be conciliation and reorganization, and the worst plan would be to procrastinate without resolution until the enterprise collapsed completely.

The report cited the following four grounds for bankruptcy:

1. As the Qiaohui Corporation had long been managed chaotically, with deficient business competence and complex personnel relations, it would be very hard for it to make a basic change in the short term that would extricate it from the crisis;

2. The enterprise was sustaining severe operating losses. Of the Qiaohui Corporation's 12 existing subordinate enterprises, only three were profitable, with annual profits of about 500,000 yuan, which were enough to cover only the expenses of the general headquarters of the Qiaohui Corporation itself, while its nine losing enterprises were sustaining annual losses of over 2 million yuan, so that its losses exceeded its earnings and it was basically unable to pay its debts;

3. As it was sustaining severe losses from overstocked merchandise, its liabilities would continue to grow faster than its assets;

4. If the Qiaohui Corporation went "bankrupt," only a little more than 100 of its staff members and workers would have to find new jobs, which would not be such a great shock to society. Moreover, its creditor banks could recoup over 70 million yuan in loans.

As the legal time limit for "conciliation and reorganization" was just 2 years, there were only the following two possibilities: 1. The reorganization would succeed, so that the enterprise could settle its debts in accordance with the conciliation agreement, and all parties would be delighted; 2. The reorganization would fail, leaving the enterprise unable to settle its debts in accordance with the conciliation agreement, so that the courts would have to redeclare the Qiaohui Corporation bankrupt in accordance with law, by which time its financial losses would be even greater. This was a risk for the creditor banks.

While the Qiaohui Corporation's problems had actually come to light as early as 1989, leaving the corporation paralyzed since then, the concerned parties had delayed coming to terms with them, even to the extent of wrangling over them, so that both the tangible and intangible losses of state assets were increasing steadily.

As Cao Siyuan's advisory report was approved in writing by Hainan Governor Liu Jianfeng, the Hainan Province Higher People's Court agreed to accept the application and hear the Qiaohui Corporation bankruptcy case on 18 March 1991.

But the banks sent a "red-flag document" (an ultimatum) to the Hainan Province Court and the concerned departments of the Hainan government, putting pressure on them to revoke the bankruptcy order. The bait was that this could enable them to continue making loans to unqualified borrowers as follows: "If the Qiaohui Corporation was allowed to declare bankruptcy, the over 30 million yuan in losses would be sustained by the special banks. This fact would objectively force special banks to learn the lesson' that they must act in the future in strict accordance with state credit policies and principles, leaving them unable to make loans to unqualified enterprises, which would put a large number of Hainan enterprises in a tight spot."

While such threats combined with inducements had put the concerned Hainan departments in a certain dilemma, as this case had aroused attention both in China and abroad, and was making too many waves, an important Central Committee official issued written instructions that "this case must be handled in accordance with the law." While the Hainan Province courts have now begun judicial proceedings on this matter, it is still hard to predict what the final outcome will be. The suspect bankers who clearly violated criminal laws through bribetaking and dereliction of duty still remain peacefully at large.

The CPC authorities held a working conference on state-owned enterprises in September 1991, proposing forceful steps to upgrade them. While some leaders even asserted that a number of losing enterprises would be shut down, because one-third of mainland China's state-owned enterprises were sustaining losses that were severely holding back national economic growth, there have certainly not been very many enterprises that have been allowed to declare bankruptcy since the "Bankruptcy Law" was issued in 1986. For instance, the mere 27 enterprises throughout China that declared bankruptcy between August 1990 and August 1991 (see attached chart) are a mere drop in the bucket in relation to the hundreds of thousands of enterprises throughout China. We can catch a glimpse of the reason for this from the storm that has occurred over the bankruptcy case of the Qiaohui Corporation in Hainan Province. We have reason to doubt whether mainland Chinese enterprises will be allowed to go bankrupt in accordance with the law. Allowing them to go bankrupt would be the first crucial step in getting state-owned enterprises out of their current dead-end status.

Ismail Amat Urges Greater Efforts on Ethnic Issues

92CM0231A Zhengzhou LINGDAO KEXUE
[LEADERSHIP SCIENCE] in Chinese No 1, 11 Jan 92
pp 12-13

[Article by Ismail Amat: "Study the Nationalities Problem; Do a Good Job in Nationalities Work"; the

author is a vice chairman in the Chinese People's Political Consultative Committee, and minister of the State Nationalities Affairs Commission]

[Text] The leaders of our party and nation have always greatly emphasized nationalities issues and nationalities work. They have constantly made correct decisions on the basis of the party's line, plans, policies, and realities as they exist in minority nationalities areas for drawing up specific measures to be taken. Party General Secretary Comrade Jiang Zemin has gone to every autonomous region in the country, and he has discussed with the people of every nationality matters of vital importance relating to progress in the unity of all nationalities.

The national minority nationalities situation is very good today. Cultural undertakings are prospering and the daily life of the people has seen further improvement and uplifting. A campaign for progress in the unity of nationalities is unfolding all over the country for the further strengthening of the unity of all nationalities. In minority nationality areas, popular feeling is stable, and society is stable and prosperous. While fully affirming the excellent situation, we must also clearly realize shortcomings in our work, and acknowledge the problems that exist. We must take steps to help minority nationality areas surmount difficulties in moving ahead so as to hasten the development of economic and cultural endeavors. We must also be vigilant against reactionary forces at home and abroad that use ethnic issues to carry out subversive and destructive plots. We must strive to do a better job of nationalities work.

For some time to come, our main tasks in nationalities work will be as follows: To adhere to the party's basic line, continuing to enforce unswervingly the party's and the state's nationalities policies and laws; to take economic construction as the main task, promoting the comprehensive development of the economy, education, science and technology, and cultural endeavors in minority nationality areas, even while carrying out reform and opening to the outside world, in order to advance the common prosperity of all nationalities; to consolidate and develop steadily socialist ethnic relationships that promote the unity of all nationalities, to safeguard the stability of minority nationality areas and the stability of the entire country, and that safeguard the unity of the nation; and to consolidate and develop the autonomy system in minority nationality areas, devoting major efforts to the training of minority nationality cadres. Specifically, work must be done in the following regards:

Earnestly Work to Achieve Compatibility and Coordination Between Minority Nationality Areas and the Country As a Whole in Economic and Social Development. This is an inevitable requirement for maintenance of the party's basic line on nationalities issues, and it is also a manifestation of the essence of socialism. In taking economic construction as the focus in work among minority nationalities, the foremost task must be acceleration of the economic development of minority nationality areas,

wholeheartedly developing productivity in minority nationality areas, and devoting major efforts to the development of education, science and technology, culture, and health endeavors so that they promote each other. Steady consolidation and expansion of the foundation for unity among all nationalities must be used as a means of amplifying the substance of mutual cooperation. This is the road that must be taken to solve nationalities problems under socialism. This is because only when every nationality attains corresponding progress in development and common prosperity can this be realized and relationships among nationalities be more harmoniously coordinated. Furthermore, the coordinated development of all nationalities and all regions is also a real requirement for the sustained, steady, and coordinated development of the economy of the entire nation. Only when the far-flung minority nationality areas are well developed can the building of the country as a whole move ahead smoothly. An economic pattern in which eastern and western regions develop their individual strengths and are mutually dependent and mutually assisting has taken shape in China. This is also a relationship in which no one can be separate from any other. Accelerated development of national minority areas benefits minority nationality areas themselves, benefits the eastern part of the country, and benefits the country as a whole. It is for just this reason that the country's 10 year plan and its Eighth 5-Year Plan programs explicitly provide for a gradual change in the backward state of minority nationality areas to make their development consistent with that of the nation as a whole. The substance that this term "consistent" conveys is substantial. We view it as meaning at least the following: To make the most of the advantages of both the eastern and western parts of the country through plan and market regulation; roughly equal investment in all particulars to bring about gradually a situation in which the level of development, economic returns, and the people's material and cultural standard of living are fairly close. Achieving this will require arduous and unflagging effort. In terms of specific policy actions, it will require that minority nationality areas work hard for the prosperity of the country, practice self-reliance, and especially that they use reform and opening to the outside world to make the most of the advantages that minority nationality areas possess to stimulate economic vitality. In addition, the state and developed areas will also have to provide effective support in many regards, tilt regional and industrial policy, and provide financial, material, and technical assistance.

Need To Raise High the Banner of the Equality and Unity of All Nationalities Politically

The equality of nationalities is a major integral part of Marxist nationality concepts; and it is a fundamental guiding principle of our party's nationalities policy. Under a socialist system, the equality of nationalities means the following: Equality in all aspects of social life, all nationalities enjoying the same rights, and being responsible for carrying out the same duties. Since

objective differences exist in the level of development of various nationalities, the equality of nationalities holds another connotation, namely that large and more advanced nationalities must take the initiative in warmly and sincerely helping smaller and relatively backward nationalities achieve better development in order to realize true equality. In adhering to the equality of nationalities today, it is necessary to guard against and overcome big-nationality chauvinism, mostly great Han chauvinism. In addition, it is also necessary to guard against and overcome local chauvinism, opposing ethnic prejudices and ethnic separatism. The equality of nationalities and the unity of nationalities are closely linked. One common goal in the building of a modern nation today is unification of the powerful bonds and the spiritual strength of all nationalities. During the sudden changes that are occurring in the international situation, we must raise even higher the banner of the great unity of nationalities, continuing to make the unity of all nationalities a major political task to be performed with diligence. We must stress unity, promote unity, and eradicate at once all factors that do not advance unity. We must exercise a high degree of vigilance against and be wary of antagonistic forces that carry out subversion and sabotage under the banners of ethnicity, religion, and human rights. Our strength is in the people. We must rely closely on the cadres and masses of all nationalities to oppose separatism, oppose infiltration, and oppose peaceful evolution. We must work in various ways to enable people of all nationalities to struggle in common for a fine social environment of fraternal unity, cooperation, and mutual assistance so that our country moves ahead steadily in tranquility and unity.

Need to Do More to Build a Political Situation the Main Substance of Which is Implementation of the "Autonomy Law for Minority Nationality Areas," For the Consolidation and Perfection of the Autonomy System in Minority Nationality Areas The autonomy of minority nationality areas is a basic policy, and a major pioneering action of the CPC for solving China's nationalities problems that has come into being through long exploration, and from which tremendous success has been realized. In terms of the national political system, the autonomy system for minority nationalities has become a major integral part of the distinctively Chinese socialist political system. This system upholds the leadership of the CPC, safeguards the unity of the nation, guarantees the autonomy and equal rights of minority nationalities, and promotes the unity and progress of all nationalities. We must resolutely protect this system and constantly perfect it. We must use adherence to the four basic principles as a basis, and maintenance of the country's unified leadership as a premise for further guaranteeing and respecting the autonomy of minority nationality autonomous areas according to law. We must arouse to the full the initiative of peoples in autonomous areas so that minority peoples genuinely exercise their right to manage their own internal affairs and take part in the management of the country. They must make the most of the advantages that the minority area autonomy system provides, this

system thereby becoming more perfect along with the building of socialist democracy and the legal system throughout the country as a whole. Right now emphasis must be placed on readjustment of the relationship between laws and peoples, doing more to build a socialist legal system for nationalities, further implementing the autonomy law for nationalities areas in particular. On the one hand, minority nationality areas must be administered according to law, ensuring that the national constitution and laws are respected and implemented in these areas, authority for administering local affairs being exercised well. On the other hand, national organizations at a higher level and their agencies in minority nationality autonomous areas must exercise their obligations to autonomous areas according to law, fully respecting the autonomy of autonomous areas, particularly giving full consideration to the realities and the needs of minority nationality autonomous areas in economic construction matters.

Need in the Ideology Realm For More Theoretical Research and Propaganda on Nationalities Nationalities theory is an important integral part of the entire Marxist theoretical system; it makes a major contribution to human society. As a result of historical trials and hardships, and as a result of steady exploration and practice, the CPC has shaped its own body of nationalities theories. These theories are rooted in the soil of China, and have their own distinctive features. They possess a steadfast party spirit, powerful practicality, and a fresh spirit of the times. We must unswervingly uphold these theories, and constantly develop these theories. The international and domestic climate for the solution of China's nationalities problems today is different than it was 40 years ago, different than it was 10 years ago as well, and is still changing. New circumstances and new problems appear in endless succession. We must rely on basic Marxist principles, and do more investigation and study to elucidate changing circumstances in a scientific way, and to guide practice in solving nationalities issues. In this way, both theory and practice play a mutual role, theory thereby developing steadily along with the times. Marxist nationalities concepts must be widely and pervasively propagandized and inculcated, the theoretical attainments of the entire party on nationalities issues increased, and the understanding of the people of the whole nation on nationalities issues improved. This propaganda must be accurate and vivid, diverse, and realistic, and it must become an important integral part of ideological education throughout the entire country. Propaganda must be conducted level by level. Equality and cooperation, unity and mutual assistance, and the common prosperity of all nationalities must be repeatedly emphasized to the broad masses of cadres and the public, and the common needs, common destiny, and the linking of the hearts of all nationalities must be

stressed. Fairly high demands must be placed on high ranking party cadres. They must understand the important substance of Marxist nationality concepts, and they must understand the party's basic policies regarding nationalities and religion. In their actual work they must uphold Marxist nationalities concepts and oppose non-Marxist nationalities concepts. Particular emphasis must be given to the ideological education of cadres at all levels, the broad masses of intellectuals, and young people, because they are of extraordinarily importance for the eternal maintenance of a Marxist standpoint and line on nationalities issues and the formulation and implementation of correct nationalities policies.

Organizational Need for Further Strengthening of Leadership of Nationalities Work. We must always understand clearly the importance and long-range nature of nationalities work. In a multiracial nation such as China, good performance of nationalities work, and good handling of nationalities problems have a bearing on social tranquility, economic development and the people's happiness. They have a bearing on the unity of the motherland, and are of extremely great importance. Changing times and changing circumstances require that we strive to do better. Nationalities work is a part of the CPC's overall endeavors, and strengthening of party leadership requires, first of all, serious attention on the part of departments of the party and government at all levels. They must accord nationalities work an important and suitable position, devoting attention to study, to planning, and to examination so that progress in effecting the unity of all nationalities proceeds in tandem with China's modernization. Vigorous efforts must be given to the training and active use of minority nationality cadres, full use made of their wisdom and creativity. At the same time, vigorous efforts must be devoted to the training of minority nationality intellectuals and work corps. These are requisite conditions and important marks of the vigorous development of any nationality, and they are also important prerequisites for the performance of good nationalities work. Good performance of nationalities work also requires that our party and government organs be in tune with nationalities workers and minority nationality peoples, have a real understanding of their desires, be concerned for their adversities, and sincerely and wholeheartedly serve the minority peoples. As a matter of work style, they should immerse themselves in realities, do much study and investigation, and handle numerous problems. Nationalities work is rich in content. It has a bearing on many matters. Thus, not only must units concerned with nationalities work work hard, but all party and government units, and all parts of society must work together with one mind to provide positive support and mutual coordination. This is the only way in which nationalities work can steadily enter new realms.

NATIONAL AFFAIRS, POLICY

Economic Restructuring Official on 1992 Reform

92CE0327A Beijing ZHONGGUO JINGJI TIZHI
GAIGE [CHINA'S ECONOMIC STRUCTURE
REFORM] in Chinese No 1, 23 Jan 92 pp 16-20

[Report on interview with unnamed official of the State Restructuring of the Economic System Commission, by unnamed staff correspondent: "Our 1992 Economic Reform Mission Is To Take the Crucial Enterprise Reform Step of Converting Enterprise Operating Forces To Make Enterprises More Market-Oriented, With the Current Key Tasks Being To Establish Distribution Forces That Include a Wider Range of Pay Grades, Worker Recruitment and Cadre Management Forces That Allow for Hiring, Firing, Promotion, and Demotion, Restraint Forces for Distribution and Construction Investment Within Enterprises, and Improved Incentive and Oversight Mechanisms, To Take Active and Safe Price Reform Steps, To Intensify Indirect Regulation and Control To Reform Our Macroeconomic Management System, To Launch Full-Scale Housing Reform, and To Establish an Unemployment Insurance System for All Staff Members and Workers in State-Owned, Collective, Private, and Joint-Venture Enterprises"; date, place, and occasion not given]

[Text] In 1991, we speeded up our pace of economic reform in certain key areas, making new advances and a good start at successfully realizing our set reform objectives for the Eighth Five-Year Plan and the 10-Year Program. How will we further deepen our economic reform in 1992? As this is a current issue of great concern to our masses of readers, I recently interviewed an official of the State Restructuring of the Economic System Commission, who was pleased to answer my questions about wide-ranging issues in our 1992 reforms.

Question: I understand that our 1992 economic reforms will be based on a relatively stable overall balance and social climate, will seize favorable opportunities, will be directed at key problems that exist in our economic activities, will emphasize priorities, will be appropriately expanded in extent, and will be accelerated in pace. What is our 1992 reform priority? In which areas does the state plan to take active accessory reform steps?

Answer: Our 1992 economic reform priority will be to revamp large and medium-sized state-owned enterprises, by implementing the "Enterprise Law," converting enterprise operating forces, and making enterprises more market-oriented in a step-by-step way. Focused on this, we will actively push forward with accessory reforms as follows. We will take active and safe price reform steps, in order to expand reform of our circulation system. We will make full and comprehensive use of economic leverage, in order to enhance our indirect regulation and control. We will speed up the pace of our housing, social insurance, and health care reforms. We will conduct key reform pilot projects, in order to carry out active and

bold explorations in the establishment of new systems and forces. And we will implement the CPC Central Committee's "Resolution On Further Enhancing Agricultural and Rural Work," by continuing to further rural reform.

Question: Our 1992 reform priority is to convert enterprise operating forces to make enterprises more market-oriented. While the crux of this will be to revamp large and medium-sized state-owned enterprises by enterprise reform, the conversion of operating forces will be a complicated, difficult, and gradual process, in which the steady achievement of our overall goal of mechanism changeover will come only through constant establishment of new forces one by one. Which new enterprise operating forces will be established first in 1992's reforms?

Answer: Our enterprise operating forces conversion objective is to gradually turn enterprises into socialist commodity producers and managers that have independent decisionmaking power, are responsible for their profits and losses, and practice self-development and self-restraint. Our most important current tasks are to smash the "iron ricebowls" (guaranteed lifetime jobs), establish distribution forces that include a wider range of pay grades, shake up those who sit in "ironclad armchairs" by establishing worker recruitment and cadre management forces that allow for hiring, firing, promotion, and demotion, establish restraint forces for distribution and construction investment within enterprises, and improve our incentive and oversight mechanisms.

Question: How will 1992's reforms help us to better reflect the principle of distribution according to work?

Answer: In the area of implementing independent distribution decisionmaking power within enterprises, the state will focus its energies on controlling payroll increases, by no longer stipulating universal wage raises for enterprise staff members and workers, allowing enterprises to choose their own forms of internal wage distribution based on their operating conditions, and establishing wage risk funds to provide emergency reserves. Qualified enterprises should gradually move to a major distribution system form of wages based on job skills, by widening pay grades to favor staff members, workers, and technicians who perform jobs, such as manual, dirty, tiring, dangerous, and technically-complex labor, in order to truly link worker pay to enterprise economic efficiency and work contributions by individual staff members and workers. We will do a better job of "linking wages to the performance" of enterprises, by intensifying lateral comparisons of the efficiency of enterprises in the same industries, giving comprehensive consideration to indicators, such as wage-profit/tax rates, fund-profit/tax rates, labor productivity, sales income, fund turnover, and technical advances, and practicing overall target linking. We will establish strict examination, approval, and accounts-clearing systems, in order to solve the problems of

payrolls being linked to price increases but not to price decreases, and responsibility for profits but not for losses.

Question: How will we go about gradually reforming the labor personnel system within enterprises?

Answer: We will gradually change our method of enterprise management by government functionaries, by breaking the boundaries between cadres and workers, and choosing managers based on the principles of openness, fairness, competition, and excellence.

We will popularize and improve the management of our overall labor contract system within enterprises, by building a better employment service system. As to optimizing enterprise workforce composition, in addition to adopting diversified forms of opening up employment connections for surplus personnel focused mostly on internal absorption, we will also practice an internal unemployment system. Enterprises will have the right to recruit and hire workers based on need within their fixed authorized staff limits, and to fire staff members and workers in line with contract stipulations, while staff members and workers will have the right to quit jobs in line with contract stipulations.

Question: How will we go about gradually deregulating enterprise production operations, in order to reduce direct government control?

Answer: All areas and departments should act in accordance with the "Enterprise Law" and its stipulated enforcement regulations, and conform to the principle of separating government administration from business management, by proceeding in a planned way and step by step to convert the operating forces of large and mid-size state-owned enterprises.

With the guidance of state policy, we should allow and encourage enterprises to choose and develop forms of management that vary according to their actual conditions, and to practice diversified management mostly within their industry. Some enterprises can practice specialized production based on the needs of socialized large-scale production.

Enterprises will take the initiative to become oriented to both domestic and international markets, by organizing their production strictly according to market demand, and truly basing production on sales. The state will take the necessary steps to deal with all operating losses, by no longer subsidizing losses, and by resolving problems through means, such as enhancing internal enterprise management, retooling, mergers, and bankruptcy.

We will give enterprises more investment decision-making power over technological upgrading. Based on the demands of industrial policy and structural adjustment, enterprises will be given independent decision-making power over the use of their own funds for ordinary technological upgrading, so that they can gradually develop technical progress forces that will promote

development of new products and utilization of new technologies. In line with relevant state policy provisions and upon examination, verification, and approval, enterprises can adopt fundraising means, such as selling stocks and bonds and attracting foreign investment, in order to speed up their pace of technological upgrading. We will intensify market development and product marketing, and improve our market competitiveness.

Upon examination, verification, and approval, qualified large and mid-size state-owned enterprises and enterprise groups will enjoy foreign trade import-export decisionmaking power, so that they can develop international business and become more competitive on international markets.

Question: How will we go about speeding up the pace of adjustment of enterprise organizational structures?

Answer: We will combine economic structural adjustment with the competitive forces of elimination through competition. We will firmly close, suspend operations, merge, switch to the manufacture of other products, or allow legal bankruptcy for enterprises that are poorly run, sustain severe losses, or even cannot pay their debts. We will further strengthen bank reserve funds for bad debts and the banking responsibility system for risky loans, so that the "Bankruptcy Law" can be successfully tried out.

We will adopt effective policies and methods to speed up the circulation of key production factors. That is, we will encourage a more rational circulation of individual factors, such as production equipment, personnel, funds, and technology, while using methods, such as auctioning off of small enterprises, enterprise contracting of other enterprises, enterprise leasing of other enterprises, and enterprise mergers, to carry out adjustment of product mix and enterprise organizational structures. We will pave the way for mergers through means, such as stock control or share absorption.

We will continue the pilot project involving 55 large enterprise groups, expanding it after accumulating experience. The participating enterprise groups will enhance the might of the key enterprises, become more closely linked together, strengthen the ties that bind them, and deal well with both internal and external relations. Based on industrial policy and the principle of voluntary enterprise participation, all areas will take conscientious steps to enhance their leadership, actively develop enterprise groups, and create good external conditions for the organization and establishment of transregional and transindustrial enterprise groups in particular.

Question: What specific steps will be taken to continue to improve the reform pilot project in "the separation of taxes from profits?"

Answer: We will gradually expand the scope of the pilot project in "the separation of taxes from profits, with aftertax loan repayment and contracting," and improve the experimental methods. We will combine measures

involving the "two funds," i.e. income tax rate reduction and appreciation fund reduction and exemption, with expansion of the pilot project in the separation of taxes from profits. We will deal with old loans differently according to repayment deadlines, while new loan interest will be included in construction costs while projects are underway and in production costs once they go into operation, with aftertax repayment of capital. In addition to state-set input-output contracting, the state-approved pilot project in enterprise groups will also practice "the separation of taxes from profits."

Question: In 1991, the pace of standardization was speeded up for the various forms of shareholding system pilot projects. In particular, the Shanghai and Shenzhen shareholding system pilot projects in public market transactions were very spectacular. What new reform plans have been made in this area for 1992?

Answer: The general need will be to emphasize the drawing up of relevant policy provisions for shareholding system pilot projects, and to carry out classified guidance of the various forms of shareholding system pilot projects.

To speed up the rational adjustment of enterprise organizational structures, we will take active steps to move forward with shareholding systems in corporate shareholding. When developing lateral alliances and organizing enterprise groups, state-owned enterprises can hold each others stocks. Qualified newly-established jointly-capitalized central-local, local-local, and government-enterprise enterprises should be run as corporate shareholding limited-liability companies. Qualified state-owned enterprises can absorb nonstate-owned enterprises as investment shareholders, and be run as joint-venture limited-liability companies.

We will expand in a planned and step-by-step way shareholding systems in which staff members and workers hold stocks in their enterprises. All areas can choose certain enterprises with capital construction or technological upgrading projects already listed in state plans and fund shortages, in which to sell shares to enterprise staff members and workers as a fundraising method. Enterprises in which staff members and workers hold stocks must be approved by provincial-level departments of the State Restructuring of the Economic System Commission, and must draw up strict control procedures for stock and profit sharing based on assets evaluations and the principle of shared risks and interests.

Based on summing up experiences and enhancing management, we will continue to improve shareholding system pilot projects in selling shares to the public. The number of enterprises selling stocks on the Shanghai and Shenzhen markets will be expanded gradually in a planned way.

Question: What new exploratory steps will be taken in 1992 in the area of reform of the state property management system?

Answer: We have made plans to choose several enterprise groups in which to conduct a pilot project in authorized management of state property. Based on examining assets and delimiting property rights, key enterprises will be authorized to carry out centralized management and administration of the state property of core enterprises in enterprise groups, in order to strengthen property rights ties. We will explore ways and means to gradually put the management of aftertax profits under the control of state property departments based on uniform state provisions.

Question: As price reform has a direct impact on people's daily lives, everyone is very concerned about it. What price reforms will be carried out in 1992?

Answer: We will continue to take active and safe price reform steps. In line with price stability and economic invigoration, and premised on maintaining basic overall price stability, we will focus on modifying certain irrational product prices. We will reform the price formation mechanism, by deregulating in a step-by-step way the prices of products where supply and demand are basically balanced, in order to bring the impact of market regulation into full play. We will emphasize the revision and issuing of new pricing division-of-labor management catalogs, revise pricing division-of-labor management jurisdiction, and study and draw up price deregulation management methods.

Question: As it could be said that our 1991 foreign trade reforms achieved the desired results, how will we further push ahead with reform in this area in 1992?

Answer: Based on summing up experiences, we will further improve the new system of sole responsibility for both profits and losses, and speed up the mechanism conversion for all types of foreign trade enterprises. We will improve our licensing and quota control methods, by increasing their transparency and gradually introducing competitive bidding forces based on product variety. We will improve our export drawback system, in order to truly achieve prompt drawback based on actual exports. We will improve our import management system, by gradually establishing import forces that are guided by industrial policy and regulated mostly by tariffs, and by taking active steps to pave the way for increased commissioned pricing of imports. We will better dovetail our production and marketing, and speed up our pace of integrating industry with trade. We will further expand our foreign exchange markets, by continuing to fine tune exchange rates, in order to pave the way for the establishment of a controlled floating exchange rate system.

Question: Practice has proved that only by establishing a scientific, rational, and effective macroeconomic system can we ensure sound socio-economic development. What arrangements and plans has the state made for macroeconomic reform in 1992?

Answer: *We will further reduce the scope of directive planning, and reform our planned management methods.*

We will conduct a full-scale inventory of the scope of provincial-level directive planned management of product production and allocation, and should deregulate as quickly as possible all production operations that we can. We will improve our guidance planned management methods, by gradually popularizing forms, such as state priority goods orders, contract orders, and production dovetailed with demand.

We will deepen investment reform, and speed up structural adjustments. We will emphasize the use of monetary, financial, and tax means to control the scope of public fixed assets investment, exercising more control over new construction projects in particular. We will gradually change the method of funding key construction projects completely or mostly from state coffers, with state investment coming mainly in the form of shareholding or discounting, in order to guide investment orientation and structural adjustment, and gradually form a pluralistic investment system in which the state, localities, and enterprises all take part.

We will practice a coordinated double-entry revenue budgeting system, entrusting construction investment operating funds to investment corporation management, gradually evolving fund recoupment forces, achieving fund rollover generation, running investment corporations as genuine economic entities, and gradually developing them in the direction of stock control companies.

We will accelerate our drawing up of an "Investment Law." As to major mistakes in project decisionmaking and application, we will investigate and affix administrative responsibility in accordance with law, closely tying decisionmaking and investment powers and responsibilities to risks.

We will take active steps to push forward with financial and tax reforms. The central and provincial governments will implement a full-scale double-entry revenue budgeting system. Based on the varying natures of state revenue and expenditure, we will draw up separate running and construction budgets.

We will coordinate price, commercial, materials, foreign trade, and production enterprise reforms, in order to gradually reduce state subsidies.

Based on a State Council resolution, we will reduce the income tax rate for large and mid-size state-owned industrial enterprises from 55% to 33% over a 3-year period starting in 1992. In 1992, we will start this in certain selected large and mid-size industrial enterprises that are subject to more directive planning and face heavier technological upgrading tasks.

We will make income taxes uniform for state-owned, collective, and private enterprises in a planned way, improve the individual income tax, merge the bonus tax with the wage tax, and conduct active studies of ways to improve the circulation tax. In certain provinces and cities, we will conduct pilot projects in tax separation

and guaranteed payment, in order to accumulate experience for a transition from a guaranteed revenue payment system to tax separation.

We will carry out corresponding monetary reforms. We will strengthen macroeconomic regulation and control by central banks, and make our monetary policy more scientific and stricter.

We will further develop money markets. Based on our existing transregional funding network, we will establish throughout the country several transregional and transdepartmental money markets, in order to form a national fund exchange center. We will further expand our bond markets, gradually increasing their variety and doing a good job of bond circulation and transfer. We will continue to expand our national treasury bond subscription and underwriting methods, conduct active experiments in the sale of nonmaterial bonds, and experiment with the sale of special RMB stocks, in order to attract stock rights investment from abroad. We will choose qualified shareholding enterprises or enterprise groups from other parts of the country whose stocks, upon examination, verification, and approval, can be sold on the Shenzhen and Shanghai stock exchanges.

Question: As a good macroclimate for housing reform has now been formed throughout China, how will we take advantage of this favorable climate to actively push forward with housing reform in 1992?

Answer: We will launch full-scale housing reforms in 1992. We will act conscientiously in the spirit of the 1991 National Working Conference on Housing Reform, and in accordance with the principles of uniform policies, measures suited to local conditions, decentralized decisionmaking, and classified guidance, in order to make substantive progress in areas, such as raising rents, housing sales, fundraising for housing construction, establishing housing funds, housing financing, and developing real estate markets.

We will continue to emphasize reforms for the compensated sale of land use rights. All areas that have not yet begun such reforms will take active steps to do so. Those that have will gradually shift their focus from transfer to compensated sale. Those that are already practicing compensated sale on a large scale will gradually establish more standardized land markets, in support of housing reform and urban construction.

Question: Along with our steady deepening of economic reform, very pressing demands are being made for the establishment of a new social security system. What specific considerations have the responsible national departments given to this area for 1992?

Answer: We should combine deepening of labor reform with adjustment of industrial structures, in order to further expand the scope of our unemployment insurance. We will establish an unemployment insurance system for all staff members and workers in state-owned, collective, private, and "joint-venture" enterprises, by

gradually expanding the scope of unemployment insurance, and expanding the pilot projects in unemployment insurance compensation for the staff members and workers of some enterprises that have been shut down and gone bankrupt. We will provide basic subsistence guarantees for unemployed staff members and workers who have been the subjects of cutbacks, speed up the development of labor markets, and take vigorous steps to develop tertiary industries, in order to help these unemployed staff members and workers find new jobs. We will conscientiously implement the "State Council Resolution on Reform of the Old-Age Insurance System for Enterprise Staff Members and Workers," by speeding up the pace of overall pension planning at the provincial level, and continuing to expand the scope of application of old-age insurance for enterprise staff members and workers. We will reform the current system of free and labor-insurance medical care, by conducting pilot projects in on-the-job injury insurance. We will continue to emphasize medical reform pilot projects, by stepping up the formulation of reform plans suited to most areas throughout the country, and developing socialized medical insurance. We will practice diversified forms of medical care fundraising and cooperative medical insurance in the rural areas, by conducting pilot projects in old-age insurance for peasants and township enterprise staff members and workers. In the five SEZs and the two provinces of Guangdong and Fujian, we will continue to conduct reform pilot projects in the establishment of a uniform social security system.

Question: How will we go about further deepening rural reforms?

Answer: We will deepen rural reforms in an all-out way as follows:

1. We will stabilize and improve our dual management system that combines the responsibility system, involving mostly the household responsibility system of linking remuneration to output, with centralized distribution;
2. We will intensify our building of an agricultural socialized service system. We will conscientiously implement the State Council's "Circular on Intensifying the Building of an Agricultural Socialized Service System," by taking rural collective and cooperative economic organizations as the basis on which to build a socialized service system of diversified economic components, administrative levels, and forms. We will popularize our experience in "less government and more service," by changing the functions of county-level agricultural departments, intensifying the building of county-level agricultural socialized service systems, and organizing coordinated service organizations for "production, supply, and marketing, and cultivation, breeding, and processing." We will encourage county and township agricultural institutions to provide substantive services to speed up production;
3. We will continue to develop township enterprises;
4. Finally, we will actively launch comprehensive county-level reforms. Our aim will be to speed up urban

and rural integration and countywide multipurpose economic development, focused on reforming the economic management system in county-level governments, by changing the economic management functions of county-level governments. All areas can learn from the experience of certain localities in county-level organizational reform, by combining economic development with administrative structure streamlining and state subsidy reduction, and by encouraging certain cadres in county-level economic and technical departments to leave their departments and set up various types of service centers and economic entities, in order to provide service to the development of our rural commodity economy.

Greater Market Orientation for State Enterprises

92CE0355A Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese No 1, 11 Jan 92
pp 23-27

[Article by Zeng Guoxiang (2582 0948 4382), Overall Planning and Pilot Project Department, State Restructuring of the Economic System Commission: "Impetus Toward Greater Market Reform"]

[Text] 1. The severest problem faced today in economic development and economic reform is how enterprises under ownership of the whole people can intensify reform when the market orientation and the flexible operation of the economy under ownership of the whole people exerts powerful pressures against the economy that is under ownership of the whole people.

An extraordinarily singular contrast exists today between economic development and economic reform. In the Shenzhen, Zhuhai, Xiamen, and Shantou special economic zones [SEZ], in the two comprehensive reform experimental zones of Guangdong and Fujian, in all economic development zones and new high technology development zones, as well as in the Chang Jiang Delta and the Zhu Jiang Delta commodity economy development zones, all of the energy, and all of the raw and processed materials of individually owned and privately owned enterprises, of the three kinds of partially or wholly foreign-owned enterprises, and of township and town enterprises, as well as those of some other urban collective enterprises are imported from abroad, and all their finished products are exported abroad. Flexible organization of production and operating activities through market demand, and market demand's flexible readjustment of the product mix and of the production structure and the enterprise organizational structure increase economic strength and market responsiveness, thereby improving competitiveness. These enterprises are not only oriented toward domestic markets, but toward international markets as well. They have gradually changed from being production type enterprises to being business type enterprises, and from being business type enterprises to being market development type enterprises. When local markets are soft, they turn to markets elsewhere; when domestic markets are soft, they turn to

international markets. Thus, they are always in a dominant position in the marketing and production development processes. In contrast to this situation is the one that exists for numerous enterprises under ownership of the whole people, especially large and medium size enterprises who find themselves in a passive situation once a tightening of the money supply or the scale of capital construction is checked as a result of a complete shortage of capital and materials, large amounts of their products accumulating in inventory. By rights, the competitiveness of enterprises under ownership of the whole people, particularly large and medium size enterprises, should be greater than that of enterprises under other than ownership of the whole people inasmuch as they have more abundant assets, they possess a galaxy of technical talent, and they benefit from the supply of some low priced command type products and materials. Nevertheless, when a macroeconomic retrenchment occurs, enterprises under ownership of the whole people, particularly large and medium size enterprises, find the going particularly hard. What are the main reasons for this?

All other reasons aside, the direct economic reason why so many enterprises under ownership of the whole people are in a predicament is that the production and business operations, and the reinvestment activities of these enterprises are largely directly planned and directly regulated and controlled. They are cut off or partially cut off from the market. Like a bird bound by numerous strings, as soon as the strings are tightened, the bird is in an extremely difficult situation at once, or cannot move at all, much less spread its wings and soar.

Can the economy under ownership of the whole people be developed? How can enterprises under ownership of the whole people be invigorated, particularly large and medium size enterprises? One way is to restrict, discriminate against, or attack the economy under other than ownership of the whole people, enterprises under ownership of the whole people continuing to be mostly and directly guided by plan, with limited resources, credit, and materials being invested entirely in enterprises under ownership of the whole people. Not only would this throttle the economy that is not under ownership of the whole people, but it would cause the loss of a vital new force important to the development of the nation's economy. Enterprises under ownership of the whole people would, at best, be able only to achieve an extensive form of revival of production at a low level; they would find it difficult to raise the quality and level of the entire national economy. Another way might be to encourage and guide enterprises under ownership of the whole people, particularly large and medium size enterprises, while simultaneously developing the economy under other than ownership of the whole people, helping enterprises under ownership of the whole people orient toward the market in organizing production, and helping them enter markets and compete in them, play a dominant role, and seek survival and development in market competition. We can only take the latter road.

2. Intensification of Reform During the 1990's Will Require Solution To One Major Problem, Namely Whether Markets and Socialism Are Compatible, and Just What Is the Position of Markets in the Operation of the Economy?

Development of the socialist economy and improvement of social productivity are inextricably bound up with commodity production and commodity exchange. The economic operating process is a process of social reproduction that includes social production, exchange, and consumption. It is an objective process. These processes and links are themselves the market. The main element in the operation of the economy, which is to say the main element in material reproduction, is enterprises. Production, supply and marketing among enterprises must be done through markets, and it can be carried out smoothly only through markets. Therefore, markets and socialism are not as incompatible as fire and water. Their relationship is not incongruous. Markets are a necessity in the socialist economy.

In recent years, there has been talk every year about invigorating large and middle size enterprises under ownership of the whole people, but so far quite a few such enterprises have yet to get out of their predicament. Why is that?

For several decades the tendency in administration of the nation's economy has always been toward "emphasizing capital construction while slighting technological renovation; emphasizing production while slighting commodity circulation; and emphasizing output value while slighting returns." From top to bottom, once the talk turns to new capital construction projects, everyone becomes enraptured, and everyone is all for them. The State Planning Commission has actually formed a "Capital Construction Committee," and the State Economic Commission has actually formed a "Production Committee." One region competes with another; one sector competes with another; and regions compete with sectors for projects, investment, and materials. The technological transformation of existing enterprises is always difficult to realize either because enterprises lack funds, or because government lacks measures for vigorous regulation and control of the economy under industrial policy guidance. In numerous enterprises, equipment is antiquated, products have remained unchanged for several decades, and neither quality nor variety are consistent with ever changing market requirements. Economic returns are also not very good.

In the past, administration and management of enterprises under ownership of the whole people emphasized production and output value, as though so long as output value and speed increased, economic development was effective and successful, no matter whether or not the finished products could be sold. How much could be sold, and the amount of profit from sales were frequently not given sufficient attention or sufficient effort. At other times a large amount of "profits taking command" occurred.

The market is the soil and the hot bed for enterprise growth and development. It is also only from markets that enterprises can absorb nutrients, stand the buffeting of adversity, and enrich their experience. Separated from market requirements, enterprises production lose sight of goals and direction in production. Separated from markets, enterprises are unable to take charge of production, supply, and marketing activities. In enterprises under ownership of the whole people, the means of production are publicly owned, but the animate labor of enterprise personnel is partial labor; it is by no means direct social labor. This means that the key to whether the partial labor of enterprises under ownership of the whole people can be translated into social labor lies in going through the commodity circulation chain, i.e., being validated through commodity exchange. The movement of enterprise commodities through exchange means that the enterprise's partial labor is socially recognized. In this sense, a negation of markets amounts to a negation of commodity production and commodity exchange. It is a negation of the necessity to transform partial labor into social labor; thus, it is a negation of the Marxist labor theory of value.

Exchange is the bridge that links production and consumption. Whether the products that enterprises produce can be marketed, i.e., whether commodity exchange can be effected, is actually a thrilling leap. The value of commodities is not created through circulation, but can only be realized through circulation. In this sense, unless there is commodity exchange, there is no commodity production. Negation of commodity exchange and markets is a negation of commodity production and the entire commodity economy.

In organizing and managing an economy, people frequently tend consciously or unconsciously to emphasize production while slighting commodity circulation (markets and commodity exchange). It is as though the bigger the scale of production and construction the better, and as though the larger the number of things the better. Whether the things produced can be sold, at what price they can be sold, how great costs, and how high the profit rate seem to be secondary. As a result, needed things are not produced or are not produced in sufficient quantities, while things that are not needed continue to be produced. They accumulate in inventory in large quantities causing a waste of resources, manpower, money, and materials, and the input-output rate remains at a standstill for a long time. Neither enterprise economic returns nor social and economic benefits can be greatly improved. This is the penalty paid for the tendency to "emphasize capital construction, but slight technological transformation; emphasize production, but slight commodity circulation; and emphasize output value, but slight returns.

Commodity circulation and markets are a major link among all social reproduction links; they are a component in the operation of a socialist economy per se. To counterpose commodity circulation and markets with plan, and to counterpose operation of the economy and

management of the economy, or even with socialism is warped and metaphysical. This is because such ideas are not consistent with the realities of socialist commodity economy operation, and are harmful to development of a socialist commodity economy.

The main problems in economic life today are as follows: First is enterprises under ownership of the whole people are not vigorous; second, despite an increase in speed, returns have slid; third, structural readjustments are difficult; and fourth, a resurgence of some macroeconomic management by administrative fiat has occurred. The crux of problems with the economy is structural problems, and the key to structural readjustments can be found mostly in markets, not mostly in plan. Plan can point the way, but it cannot link structural readjustments and production elements in an optimum way.

Thanks to 12 years of reform and opening to the outside world, very great changes have taken place in the country's economic life. Many regions and occupations are making great strides in converting from a traditional planned economy to a planned commodity economy. The Zhu Jiang Delta and the Chang Jiang Delta, for example, may be said to have produced embryonic new systems and new mechanisms for a planned commodity economy in which public ownership is the main element. Following macroeconomic retrenchment, other areas such as the three northeastern provinces felt they could stand no more. The economy was still in a predicament, and markets could be stimulated only with difficulty. This is what people termed the "northeast phenomenon." However, the above mentioned two delta regions took the initiative in meeting the changed economic circumstances, promptly readjusting the product mix and the enterprise organizational structure on the basis of domestic and international market demand. Production boomed; markets burgeoned; and both supply and marketing, speed and returns increased together. This is what people termed the "Guangdong phenomenon." What problems do a "northeast phenomenon," and a "Guangdong phenomenon" illustrate? They fully illustrate that unless our enterprises and our economy orient toward markets instead of adopting the body of planned management methods suited to the former product economy, enterprises will not become invigorated and markets will not be stimulated. Ultimately, there can only be descent into a new vicious cycle of "strangulation when control is attempted and chaos when relaxation occurs." The planning mechanism and the planning methods used in managing a product economy are not suited to an objective economic life that has already changed. Actually, it is not that the economies of the two delta regions have no planning, and it is not that future macroeconomic management will not require planning, but that the planning methods have changed. Plan management must manage important matters and not trivial matters; it must manage in an overall sense and not in detail, and it must regulate and control mostly in indirect ways. This is the only way to organize production and management of enterprises flexibly for the creation of a better climate and environment.

3. Essential Differences Between the Old and the New System: Allocation of Resources Primarily By the Market or By Plan? What is the Basic Approach For Increasing Market Reform Impetus?

Resources include the elements of production such as materials, equipment, capital, and manpower. When resources are allocated well, optimum allocation genuinely realized, a relatively small amount of resources inputs can produce relatively large economic returns. Optimum allocation of resources means that government or enterprises assemble materials, equipment, capital, and manpower on the basis of social demand, distributing and dividing them up in a rational way among different industries, occupations, and enterprises. They shape a rational juxtaposition and grouping of production elements, organize the production of material goods, and sell the enterprises' products or provide their services to society and other enterprises in an effort to maximize total sales. After deducting production costs from these sales figures, most of the profit is divided up for the repurchase of materials or labor services. Resources are reallocated for the expansion of reproduction. Optimum allocation of resources not only conserves a large amount of resources, but also improves the input-output-rate for optimum economic returns.

No doubt, readjustment of the structure of large industries has to be guided by investment plans and investment policies. Nevertheless, in the final analysis, the optimum allocation of resources to bring about a readjustment of the industrial structure and enterprises' organizational structure can be realized ultimately only through the market. If plan norms that the state hands down, including command style production plans and materials and products allocation plans that the state hands down, are used, since there is a shortage of most such products and materials and since plan prices are low, an artificial expansion of demand is bound to occur that strains the relationship between supply and demand. When everybody scrambles to get these parity price resources, waste of large amounts of resources is bound to occur, and limited resources can flow only with difficulty in the direction of highly efficient enterprises, occupations, and industries.

The organizational structure of enterprises can be readjusted only through the movement of production elements, and the flow of production elements must go through an exchange, i.e., markets, if the goal of reorganization and rational allocation is to be attained. The main element in readjustment of the product mix is the enterprises themselves. How they go about readjusting the product mix on the basis of market demand elasticity to produce more and better products to satisfy social demand even more requires exchange, i.e., markets for realization.

Plan can guide the optimum allocation of resources, but it cannot optimize the allocation of resources. The fundamental reason is that plan cannot simulate social demand and supply. In particular, it cannot simulate the

demand structure and the supply structure. Much less can plan simulate the market mechanism. The market mechanism is organic to the functioning of the economy, while plan is an artificial and subjective prognostication, program, and calculation. The market demand structure is ever changing, but command style plans can, at best, only control the supply of command style products, materials, and funds (actually only with very great difficulty). They cannot control demand for commodities, materials, or funds. The kinds, specifications, character, color, and design of commodities and materials are countless, and market demand—particularly consumer demand—varies in a thousand ways. People have favorites, fashions change, and a new style is popular every year. Government agencies ought not direct distribution; much less should they direct consumption. Since distribution and consumption cannot be directed, there is likewise no need to direct production.

The main points in the basic approach for improving the impetus of market reform are as follows: The organization and operation of a socialist economy must be firmly rooted in the building of a commodity economy. There should be a further loosening of restraints on and delegation of authority to enterprises, especially large and medium size enterprises under ownership of the whole people, enterprises being moved in the direction of the market, enterprises operating mechanism becoming transformed through market competition. All enterprises should be guided by the market. They should organize production and management flexibly on the basis of market demand (including government demand, enterprise demand, individual consumer demand, and other social demand), increase their market responsiveness, their adaptability, and their competitiveness through market competition. create a fine market environment for the flexible operation of enterprises of all kinds, and create a fine macroclimate for the development and strengthening of all kinds of markets.

Attainment of the main objectives in the foregoing several regards requires, first of all, a further emancipation of thinking, and eradication of the mistaken notion that "the market equals a market economy, and that a market economy equals capitalism," as well as eradication of the distorted idea that plan is a "young lady," but the market is a "servant girl." Capitalism has plans, and socialism has markets. So long as we uphold public ownership as the main element in vigorous development of commodity production and commodity exchange, and in the vigorous fostering and development of markets, this will be advantageous in strengthening the power and competitiveness of the socialist economy; and it will also be advantageous in the consolidation, development, and strengthening of the socialist system. Excessive caution and vacillation about commodity production and commodity exchange, and about market competition can only delay opportunities for building socialism. Socialism's ultimate triumph over capitalism will come mostly from a higher labor productivity rate, better science and technology, greater economic strength, and strong

market competitiveness. We must thoroughly understand this point; we cannot be ambiguous or vacillating. This is to say that building the economy and developing the economy requires steadfast inculcation of commodity economy concepts, and unswervingly taking the road of a socialist planned commodity economy.

The following actions must and can be taken now to increase the impetus of market reform:

1. Gradual eradication of command style production plans industry by industry, product by product, and by stages and groups, with attendant gradual abolition of command style product and materials distribution and allocation plans, which can be gradually replaced by government orders (with great cutbacks in aggregate amounts, specifications, and varieties, and limited only to a small number of commodities and materials of importance to the national economy and the people's livelihood).
2. Associated with the foregoing reforms is the gradual decrease by stages and groups of commodity and materials command style prices (i.e., government set prices). As a first step, city, region, and bureau authority to examine and approve the setting of prices should be delegated to enterprises, enterprises themselves fixing prices on the basis of the market supply situation and contracts signed between producers and customers. As a second step, the number of kinds of products on which province approves the setting of prices should be gradually reduced. When conditions warrant, the kinds of goods for which the state sets prices should also be reduced. Controls should not be excessive or too stringent.
3. Enterprises responsible for commodity flow such as state-owned businesses, materials, foreign trade, and supply and marketing cooperatives, should not rely on the distribution and allocation of command-style products and materials to play their role as main channels for commodity circulation. Instead, they should rely mainly on production enterprises and demand for the supply of premium quality, low cost, highly effective services for the enhancement of their own economic strength and competitiveness, and in carrying out their role as main channels. Achieving this will require reform of the form of economic organization and method of operation of state-owned enterprises, materials and foreign trade enterprises, and supply and marketing cooperatives. This is to include the internal system for using labor and distribution methods to enable these enterprises to orient toward the market, orient toward production, and orient toward customers and flexible operation.
4. Production enterprises, including industry, agriculture, the construction industry, and communications and transportation industries must upgrade and take the initiative to enter markets and take part in market competition. Production enterprises under ownership of the whole people must increase their market awareness, improve their sales force, and not only organize production, but also better organize sales. At the same time, these enterprises must change from traditional to

modern management, not confine themselves to the use of human talent in stereotyped ways, and enliven the enterprise's internal distribution methods for maximum arousal of the initiative, interest, and creativity of all personnel for equal competition with enterprises under ownership of the whole people to see who is better.

5. Elimination of all unnecessary evaluation and comparison checks; halting enterprise upgrading as of now, elimination of all unnecessary administrative meddling, and removal of restrictions on enterprises operations. Enterprise product quality and prices should be set through market competition for the most part rather than through the use of administrative methods of evaluation, comparison, and checking. In order to find out whether an enterprise is truly vigorous, one should mostly find out whether its operating mechanism is guided by markets, and whether it has a certain amount of market adaptability, whether its operations are flexible, what is the state of its technological transformation, how it is developing reserve strength, and ultimately by looking at its economic returns.
6. Traditional methods of using output value as a criterion in evaluating business enterprises should be changed, total sales volume, total profits, and the profit rate on capital used instead, thereby guiding enterprises toward emphasizing sales, emphasizing profits, and emphasizing the input-output rate for constant improvement of economic returns. The output value criterion currently in use need not be discarded, but this criterion must be placed after the aforementioned returns indicators. Otherwise, increase in speed and a rise in output value while returns fall is not a good thing, and may be even worse that "low speed, low output value, and low returns," because when the waste of resources is too great, products could not realize their value.
7. Expansion of Chongqing's implementation and expansion of operating autonomy for state-owned businesses and supply and marketing cooperatives, removing restrictions on operations, prices, distribution, and employment, taking the initiative in entering markets. Enterprises' foreign trade operating autonomy should be expanded, enterprises encouraged to open up domestic and international markets in the vigorous development of an externally oriented economy.
8. Summarization of reform experiences in perfecting the fresh fruit, aquatic products, and vegetable procurement and marketing system should form the basis for further exploration of means for further enlivening egg and pork production, transportation, processing, and circulation for a gradual reduction of government subsidies or even ultimate abolition of government subsidies altogether. In addition is further development of grain markets, reform of the grain procurement and marketing system, invigoration of grain circulation, and gradual reduction of grain subsidies.
9. Further development of markets for the elements of production, including bond, securities, and stock markets, with active promotion of a share system in which juridical persons hold shares, and steady perfection of the share system whereby staff members and workers in enterprises hold shares, and continued development of a

township and town enterprise share cooperative system. Efforts should be made operate share system pilot projects in Shanghai and Shenzhen for open issuance of share certificates to society. Following approval by authorities concerned, enterprises in other places should be able to apply to buy and sell share certificates through securities exchanges located in Shanghai and Shenzhen.

The most important external conditions for increasing the impetus for market reform to enable some enterprises under ownership of the whole people gradually to get out of their predicament are as follows: Government economic management agencies at all levels must change their management functions and management methods, do mostly a good job in achieving overall balance, and use mostly economic means for guiding readjustments of the economic structure. Planning, fiscal, and banking units, as well as units in charge of enterprises must create fine conditions for enterprises to enter markets where they can operate as they see fit. Good planning, coordination, and services must be provided to help enterprises banish worries and solve difficulties. Doing this will require, first of all, reform of the plan investment system and reform of plan management methods. Command style production plans and technological transformation plans will have to be decreased, gradually converting main entities for business investment to enterprises, reducing the number of new construction projects, lightening the burdens of existing enterprises, and increasing enterprises' technological transformation and reinvestment capabilities. Second is improvement of the tax system, gradually instituting a tax distribution system, a double entry fiscal budgeting system, and a system for the separation of profits and taxes. The tax code should be used to regularize distributions between the state and enterprises, assessments and "assistance" being reduced to the minimum. Once an enterprises has paid the state according to the tax code, all remaining should belong to the enterprises so that the enterprise knows where its stands financially, thereby inculcating long-range thinking, and emphasizing consideration of the development of strategic and long-range calculations. Third is reform of the social security system and the employment system, reducing enterprises' social burdens so that they can move ahead unduly burdened to devote themselves primarily to production and business operations without nagging worries in other regards. Unemployment insurance funds should be used to enable a small number of staff members and workers to remain unemployed while awaiting jobs in plants to increase the labor productivity rate. Fourth is an increased role of finance in indirect regulation and control of the macroeconomy. Credit plan methods must be changed, the status of an enterprise's operation and returns used as a basis for determining credit policy, demolishing regional separation, separation by sector, and separation by ownership system, using both working capital and loans for fixed assets well and flexible to improve returns from the use of credit.

1991 Price Fluctuations, 1992 Prospects

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[Text] The basic state of market prices in 1991 was that price reforms proceeded smoothly according to plans, with market stability even in some disaster areas, and all commodity prices being basically stable.

1. Agricultural sideline product prices were stable. The market shocks from price increases for rationed grain and cooking oil for urban residents were not great. The monitoring of market prices for 28 agricultural sideline products in 35 large- and medium-sized cities for October 1991 showed that, in comparison to October 1990, prices had fallen for 24 products and risen for four, with five of six food prices having decreased, including a 9 percent drop for flour, an 8 percent drop for polished round-grained nonglutinous rice, and nonstaple food price decreases of 2 percent for pork, 4 percent for beef, and 13 percent for eggs.

2. As to manufactured consumer goods prices, some rose and others fell, with more increasing than decreasing. The monitoring of the prices of 59 manufactured consumer goods in 35 large- and medium-sized cities for the period from January to October 1991 found that, in comparison to the same period in 1990, three-fifths of commodity prices had increased to varying degrees, while one-fifth had decreased somewhat or remained the same. The prices of textiles, clothing, and articles of everyday use rose slightly more from October 1990 to October 1991, with increases topping 10 percent items such as plain and fine white cloth, corduroy, cotton (interlock) jersey, T-shirts, towels, cotton wadding, toothpaste, and matches. The prices of some processed foods, such as soy sauce, vinegar, refined white sugar, toffee, dried milk, and crackers, were also higher than in 1990. The prices of commodities, such as color TV's, black-and-white TVs, mechanical wrist watches, blended knitting wool, aluminum woks, and washing machines, were somewhat lower than in 1990.

3. The prices of fuels for civil use and key service fees generally rose. From January to September 1991, the national service price index averaged 8.97 percent higher than in the same period in 1990, and the fuel price index averaged 19.4 percent higher than in the same period in 1990, with the increases remaining high right from the beginning of 1991. The monitoring of the prices of five fuels for civil use in 35 large- and medium-sized cities in October 1991 found that, in comparison to October 1990, prices had increased 106.2 percent for piped coal gas, 57.5 percent for honeycomb briquets, 42.8 percent for raw coal, 20.5 percent for liquefied petroleum gas, and 12.2 percent for kerosene. The fuel price increases

were due mostly to planned price increases at the end of 1990 and the beginning of 1991. The monitoring of seven service prices showed increases of 18.8 percent for monthly bus tickets in cities, 16.6 percent for tap water, 20.4 percent for bathing, 12 percent for registration fees, 15.2 percent for haircuts, 5.3 percent for electric lights, and 4.2 percent for rent.

4. There was a rising trend in the prices of agricultural capital goods. The agricultural capital goods price index was 1.4 percent higher in January 1991 than it had been in January 1990, after which it rose month by month for an increase of 3.5 percent by September 1991. The monitoring of 15 agricultural capital goods prices in some counties (cities) throughout China for September 1991 showed that 12 planned prices had increased to varying degrees over September 1990, with price increases averaging 3-7 percent for particular varieties, such as urea, compound fertilizer, piperalin, chloranil, agricultural plastic film, and farm diesel oil. Beyond-plan agricultural capital goods prices were fairly stable, with seven of the 15 agricultural capital goods prices in September 1991 being higher than in September 1990, and average increases of 3-9 percent for varieties, such as compound fertilizer, agricultural plastic film, ground cover, and farm diesel oil. Pesticide prices generally fell, with the five monitored beyond-plan pesticide prices being 2-10 percent lower in September 1991 than in September 1990.

5. Beyond-plan manufactured capital goods market prices were stable, with most decreasing, but a few increasing. The monitoring of 37 beyond-plan capital goods prices in 35 large- and medium-sized cities in October 1991 showed that, in comparison to October 1990, 21 prices had fallen, 14 had risen, and two had remained the same. Except for slight increases in the prices of rolled carbon-bound element steel and angle steel, the prices of other varieties, such as rolled steel, pig iron, and nonferrous metals, all fell to varying degrees, with general decreases of 2-10 percent, and a drop of 11 percent for #1 electrolytic aluminum. Prices increased mostly for varieties, such as lumber, plywood, cement, polypropylene, polyethylene, and freight trucks, with increases over 1990 of 18 percent for polyethylene and 19 percent for polypropylene, 11 percent for #425 silicate cement, 11 percent for Liberation-brand medium-duty freight trucks, and 12 percent for light-duty trucks.

Our basic view on price prospects for 1992 is that as all of the factors that contribute to price stability or price increases are very clear, there are more and stronger factors that will contribute to price increases in 1992 than there were in 1991. The three major factors that will contribute to price stability in 1992 are as follows: 1) Despite some areas being hit by natural disasters in 1991, we still reaped bumper agricultural harvests, with the second year in a row of record national grain and cotton yields, which will provide the most important material basis for market and price stability in 1992. Moreover, since the great disasters, all areas have paid more attention to agriculture, building large-scale water

conservancy projects and increasing investments, which will promote the stable growth of agricultural production in 1992; 2) As our industrial production has continued to expand at a steady pace, our manufactured consumer goods supplies are relatively abundant, and most of our commodity supply and demand relations are balanced, there will be neither a new wave of consumerism or sharp price fluctuations due to inadequate production or demand exceeding supply; 3) Consumer mentality is stable. In particular, certain current and future reforms in areas such as housing, health care, education costs, and pension systems, have increased worker apprehension, which will reduce pressure on consumer markets.

The following underlying conflicts and problems in our economic operations will put great pressure on prices in 1992: 1) Enterprise economic efficiency is still declining steadily, production costs are rising, profits are falling, and losses are increasing. 2) An extraeconomic amount of currency is being issued. While our economic growth rate has slowed in the last two years, the scope of lending is still expanding. In 1989 and 1990, while bank loans increased 17.6 percent and 22.2 percent respectively, our GNP grew only 13.5 percent and 11.1 percent respectively, at current prices. In 1991, while bank loans increased about 260 billion yuan, or 17 percent, our GNP was estimated to have grown only 10 percent at current prices. In 1991, 19 percent more currency was put into circulation, which exceeded our estimated GNP growth and price increases. It is estimated that we now have over 50 billion yuan more money in market circulation than is rationally needed, which shows that our currency and credit have expanded. 3) Fiscal difficulties have affected the capability of the state and governments at all levels to regulate and control market prices. Factors such as disaster relief and declining efficiency sharply increased our 1991 fiscal deficit, thus affecting the stabilization of certain commodity prices through state subsidization. 4) Consumer spending is still increasing rapidly, with cash purchasing power increasing sharply. Staff member and work payrolls throughout the country increased from 22 billion yuan to 27 billion yuan from 1985 to 1987, were 43.5 billion yuan in 1988, increased 30.2 billion yuan and 33.26 billion yuan respectively in 1989 and 1990 during the period of improvement and rectification, and increased 26.83 billion yuan in the first three quarters of 1991, or 13.6 percent more than in the first three quarters of 1990. While urban and rural residents throughout the country had savings deposits of 162.26 billion yuan in 1985, these had increased to 703.42 billion yuan by 1990, and were 865.306 billion yuan by the end of the third quarter of 1991, for an average increase of 100 billion yuan a year, or basically a mathematical progression. In addition to the over 200 billion yuan that residents have in cash, this adds up to over 1 trillion yuan, which must be said to be a huge potential market pressure.

In order to understand the impact of these problems on prices, we must also look at 1992 market development trends to see whether commodity sales are growing

slowly, at a medium pace, or at an overheated rate. Past experience shows that price fluctuations are tied closely to social commodity sales. A curve analysis of the growth changes in the retail price index and social commodity retail sales since 1979 shows that it is usually when social commodity sales are increasing sharply, or after they have decreased for several months in a row, that retail selling prices rise or fall accordingly. The market slump that began in 1989 has not yet completely returned to normal growth. While the social commodity retail sales turnover throughout the country was 13.4 percent higher in the first three quarters of 1991 than in the first three quarters of 1990, this figure does not take into account the fact that national social commodity retail sales turnover exclusive of price factors dropped 7.5 percent in 1989, and basically increased only a tiny 0.3 percent exclusive of price increase factors in 1990. If taken into account, this means that the national social commodity retail sales turnover was only 7.5 percent higher in the first three quarters of 1991 than in 1989, for an average increase of only 3.7 percent a year, or only one-half the normal growth rate of the early 1980's. Thus, based on the empirical data of recent years, if 1992 social commodity sales turnover grows at a low rate of less than 10 percent, these problems will remain under control and have little impact on prices, if it grows at a medium pace of 10-15 percent, they will have a more tangible impact on prices, and if it grows at a rate that is higher than 15 percent and markets become overheated, prices will increase sharply. Thus, 1992 price fluctuations will depend to a great extent on market development trends. We think that the social commodity sales growth trend is likely to fall in the second category of a medium pace of 10-15 percent.

An Analysis of Current Capital Goods Market Price Conditions and Predicted Trends

In 1991, our national economy developed steadily, with a clearly faster pace of overall recovery, while our industrial production and fixed assets investment maintained a high rate of growth. In a climate in which the state put certain key price modification and price reform measures into effect, and as our material resources were more abundant, with a basic overall balance between supply and demand, our capital goods markets maintained long-term stability.

I. Capital Goods Market Price Trends in 1991

1. There was basic overall stability, with slightly higher increases in planned prices than in beyond-plan ones.

In the first three quarters of 1991, prices increased 0.7 percent. Except for March, there was not much fluctuation in the monthly index, with increases remaining under 1 percent after the second quarter in particular. As they were affected by 1990 price modifications taking effect and continued price modifications in 1991, planned prices rose 4.5 percent more in the first three quarters of 1991 than in the first three quarters of 1990, for an increase of 1.3 percent in the first three quarters of

1991. Market prices were affected by the market recovery and planned price increases so that, while they were 2.6 percent lower in the first three quarters of 1991 than in the first three quarters of 1990, they rose 0.6 percent in the first three quarters of 1991.

The state began at the beginning of 1991 to modify the planned prices of some products, with the estimated price increases topping 10 billion yuan. The major increases were as follows: the producer price for fixed-price crude oil was raised an average of 34 yuan a ton; rolled steel price modifications eliminated the interim prices per mill, dividing them into #1 and #2 producer prices, for average increases of 30-40 percent; the railway freight transport price was modified, for an average increase of 2 li (one thousandth of a yuan) per ton-km; the planned and beyond-plan prices of centrally distributed cement were merged, with the merged price being about 41 percent higher than the former planned producer price. In addition, centrally distributed materials producer prices were modified for forest zones in some southern provinces, while all areas put certain price modifications into effect, for increases of over 10 percent. These price modification steps certainly did not affect overall price stability, with the increases being much lower than the set, planned control objectives.

2. The goods and materials procurement and marketing price differences clearly shrunk.

As the situation of supply exceeding demand for most goods and materials was not basically reversed, enterprise selling prices could not rise, with some even selling at reduced prices, and the buying and selling price differences for some goods and materials shrinking from as much as hundreds or thousands of yuan to as little as dozens of or just a few yuan. The various coordination conferences, trade fairs, and adjustment meetings that were held in 1991 found that there were hardly any interregional price differences.

3. Differences still existed between the planned and beyond-plan prices of some varieties.

Planned and beyond-plan price differences were quite glaring for some varieties of rolled steel, nonferrous metals, and industrial chemicals. Shanghai reported that planned prices were 100 yuan higher than market prices for threaded steel, 400 yuan higher for zinc plating, and 500 yuan higher for cold-rolled seamless tubing. The China Huaqing Corporation reported that the difference between planned and beyond-prices was 7,000 yuan for caprolactam, 3,200 yuan for phenolic molding powder, and 2,400 yuan for oxalic acid. As planned prices were too high, consumers abandoned planned targets for market purchases, which made it hard to fulfill distribution plans.

4. The prices of capital construction materials and investment products rose.

Since 1991, rolled steel prices have been generally stable with slight increases. The implementation of capital

construction projects, the increase in the number of projects under construction, and the need to repair certain water-damaged homes, factory buildings, water conservancy facilities, and highways and roads, have increased the number of capital construction materials in use and raised prices. In the first three quarters of 1991, prices increased 12.9 percent for small-scale section steel, 1.8 percent for 6.5 mm wire rods, and 4.7 percent for #425 common cement.

As investment demand recovered for machinery and electronics products and motor vehicles, and sales increased rapidly, prices continued to climb. Prices increased 12.8 percent for small motor vehicles, and 8.2 percent for alternating current electric motors, with very brisk sales of a large number of construction machines.

The prices of lumber, some nonferrous metals, and industrial chemicals continued to fall. In the first three quarters of 1991, prices fell 21.3 percent for aluminum, 3.2 percent for lead, 9.4 percent for caustic soda, 4.3 percent for soda ash, and 3.2 percent for wood products. As demand increased with the arrival of the coal storage season, coal prices began in July to reverse their declining trend, and then gradually stabilized. While September prices were higher than August ones, they were still 6.4 percent lower than they were at the beginning of 1991.

II. Predicted Capital Goods Prices for 1992

While an eased supply and demand climate was a key factor in 1991 price stability, a problem also arose of enterprise overstocking of finished products. As a slackening of macroeconomic control might very well touch off a new round of inflation, we will have to overcome the market slump, while preventing inflation. Our analysis shows that while overall capital goods prices will certainly be higher in 1992 than they were in 1991, they will not increase significantly.

1. Capital goods supply and demand will remain roughly balanced in 1992.

As to industrial production, a high growth rate was maintained throughout 1991, with certain enterprises winning initial success in product mix adjustment during the "Year of Quality, Variety, and Efficiency" activities. In less than two years, loan interest rates were lowered three times, having now been restored to their pre-1988 level. Our industrial production-marketing rate was 96.5 percent. While this was still about 2 percent lower than normal, industrial finished product inventories clearly grew more slowly, and enterprise efficiency began to improve, which shows that our industrial production has begun to recover its normal growth rate. As bases were too high in 1991, in addition to the state's decision to cut back on the production of products that are second-rate and too high-priced, unmarketable, and in long supply, it is predicted that industrial production will remain basically stable in 1992, with a growth rate that is not too high. As the declining trend in the first three quarters of 1991 of certain key imports, such as rolled steel, has been

contained, exports have recovered, and the country has a better foreign exchange balance, our foreign trade structure will continue to improve in 1992. In addition, as we are still maintaining a rather long turnover cycle for public inventories of key goods and materials, our overall goods supply will remain quite adequate in 1992.

Considering demand, our state-owned fixed assets investment and social commodity retail sales turnover both grew quickly in the first three quarters of 1991, with public demand maintaining a stable recovery posture. As the state is focusing its efforts on adjusting the demand structure in 1992, so that the final demand proportion is likely to increase somewhat, it should be noted that enterprises are still faced with a heavy task in 1992 of clearing up triangular debt. Although the overstocking of finished products has begun to improve, it is still tying up too many funds. Polling data from the State Statistical Bureau on 150,000 industrial enterprises at the county level and above, shows that the value of finished product inventories had reached 217.8 billion yuan by the end of August 1991, or 29.4 billion yuan more than at the beginning of the year, and 18.3 percent more than at the end of August 1990, while enterprise fund shortages had not been basically resolved. There is still a quite glaring conflict of large investment fund shortages.

2. Latent inflation pressure will remain great.

Bank lending increased considerably in 1991 due to certain unforeseeable factors. In particular, fixed assets loans equaled those for the two years of 1988 and 1989 combined. Lending in the first three quarters of 1991 reached 146.8 billion yuan, or 56 percent of annual plans. While the increased currency put into circulation had begun to slow by the end of August 1991, over 12 billion yuan more was put into circulation in the first three quarters of 1991 than in the first three quarters of 1990. Manufactured product inventories remain high. The loans that enterprises are granted for commodities and are expected to repay increased 49 billion yuan in 1989, 63.8 billion yuan in 1990, and 34.8 billion yuan more in the first eight months of 1991. This has formed a situation in which bank credit has continued to expand and too many funds have been supplied on one hand, while enterprises are still experiencing a shortage of funds and calling for an increased money supply on the other. In addition, as there is a lag between faster economic growth and price increases, so that latent price increase pressure remains great, it is going to remain very hard to continue to keep price increases low in 1992.

3. The underlying conflicts that affect price stability have still not been completely resolved.

First, local governments and enterprises are subject to an investment expansion impulse. In the first three quarters of 1991, 10,734 more projects costing over 50,000 yuan each were started than in the first three quarters of 1990, irrational industrial structure factors still existed, and production and circulation enterprises still generally

lacked self-restraint mechanisms. This shows that the possibility of investment expansion and inflation still exists, and could touch off new price increases if the economy became unstable. Second, while great price modification steps have been taken in the last year or two, as pricing is a problem that has accumulated over many years and cannot be resolved completely overnight, glaring structural price conflicts remain. Third, state revenue difficulties exist. In particular, the severe flooding and waterlogging disasters that struck some areas in 1991 increased expenditures for disaster relief, restoring of water-damaged projects, and building of water conservancy facilities. In addition, the state has poured 15 billion yuan worth of loans into clearing up triangular debts, enterprise technological upgrading depends on support from central and local revenues, the fixed assets depreciation rate needs to be raised, and loan interest rates need to be further lowered for the revamping of large- and medium-sized enterprises. In order to reduce fiscal deficits, in addition to continuing the "dual-increase, dual-savings" campaign on a nationwide basis, it will be imperative to reduce price and enterprise loss subsidies, which may also set off overall price increases.

This analysis shows that as most capital goods supply and demand relations will remain relaxed, prices will be fairly stable in 1992, while increasing more than they did in 1991. Strained supply and demand relations mean that prices are very likely to continue to climb for rolled steel products, such as galvanized sheet metal, silicon steel sheets, and large-bore seamless tubing, as well as pig iron; machinery and electronics products, such as high-quality brand-name machine tools, high-tonnage heavy-duty trucks, sedans, and jeeps; industrial chemicals, such as trialkene and synthetic rubber, wood products, such as high-quality materials, and building materials, such as cement. In particular, the glaring supply and demand conflicts for understocked varieties and mostly imported products mean that their prices will gradually tend to approach international market prices. And there will not be too great price fluctuations for certain products where market supply and demand are less strained, such as coal, lumber, caustic soda and soda ash, natural rubber, and some nonferrous metals.

FINANCE, BANKING

Shenzhen Securities Market Operation Modernized

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[Article by Wu Wen (0702 7186): Shenzhen Securities Market Has Great Possibilities; Interview With Yu Kuo-kang (4416 0948 0474), Deputy General Manager of the Shenzhen Securities Exchange"]

[Text] The Shenzhen Special Economic Zone that is one of the pilot projects for a state securities market has

offered new stocks for 11 companies and issued B stocks since the end of last year. Shenzhen's securities market has attracted attention both at home and abroad. What have operations been like since the Shenzhen Securities Exchange formally opened for business on 3 July 1991? Recently, this reporter paid a special visit to Mr. Yu Kuo-kang, Deputy General Manager of the Shenzhen Securities Exchange.

Four Changes When answering my questions, this authority of the Shenzhen securities world who had studied abroad in Japan mentioned that in the past year there have been four changes in the stock market in Shenzhen:

—Shenzhen's stock system has been reformed and is becoming standardized and governed by law. The Shenzhen Municipal Systemic Reform Committee, the Shenzhen branch of the People's Bank of China, and the Shenzhen Municipal Investment Management Company, headed by the Shenzhen Municipal Systemic Reform Committee, drafted "Provisional Method for Management of the Shenzhen Stock Corporation." This document gives specific regulations on the stock corporation's capital stock, recovery of post-profit legal government bonds and how to accept better the supervision of relevant departments and stockholders after the company goes into the market. These provisional methods have been sent to Beijing for approval and he estimates that promulgation is not far away. Besides operating according to "Provisional Methods of Stock Issuance and Trading Management in Shenzhen," the 11 companies that issued stock also will operate in line with "Provisional Methods for Shenzhen Stock Corporation Management."

—Shenzhen's securities market is shifting from government regulation and control to operation according to economic laws.

After the Shenzhen stock market opened for business in April, 1988, it experienced a 10-month long stage of overheating and then a 10 month-long stage of decline from December 1990 to the middle of September 1991. In this process, people felt that regulating the Shenzhen stock market had to be primarily by means of economic levers, supplemented by administrative means. Thus, under the guidance of the Shenzhen Municipal Committee, the Municipal Government, and the Shenzhen branch of the People's Bank of China, the Shenzhen Securities Exchange relaxed Shenzhen's stock prices. Simultaneously, it also prepared "fire extinguishers" and "oxygen bottles," i.e., regulatory methods for times of wild inflation and slump in the stock market to prevent major fluctuations in the stock market in the future. For example, near the end of the stock market slump in 1991, agencies and regulating funds entered the market so that the stock market quickly came out of the slump and turned into a bullish market.

—Shenzhen Securities Market is becoming standardized and ruled by law.

Besides the "Provisional Methods of Stock Issuance and Trading Management in Shenzhen" that it published, the Shenzhen branch of the People's Bank of China also made public "Regulations on the Business of the Shenzhen Securities Exchange," and formulated "Regulations on Exchange and Settling Accounts on Shenzhen Securities Exchange B Stocks." This gave Shenzhen's securities exchange regulations to follow, made the securities market practice the principles of the "three opens" (public, fair, and impartial) and greatly reduced suits by stockholders. To improve the management of the market even more, the Shenzhen Securities Exchange has carried out computer network disclosure of stock transactions and increased the transparency of the securities market. Consequently, the Shenzhen securities market on 13 November 1991 created the record for the day with the largest volume of trading in the history of the Shenzhen Stock Market—110 million yuan.

—Shenzhen securities operations are shifting from manual control to computerization.

Shenzhen securities market computer network, which the Shenzhen Securities Exchange spearheaded to organize, is already in operation. They assembled the most advanced computer network technology in the world today to create a computer network system. This system has a NOVELL network as the kernel, centralized data management that interconnects local networks and long distance communications, and distributed securities business processing. This system links the Shenzhen Securities Exchange, Securities Registration Company, Shenzhen City's 16 securities agencies and their subordinate offices organically into a single system. The system will handle such securities business as transaction commissions on the Shenzhen Securities Exchange in the city, transmission of the price, company, and time of transaction, automatic disclosure of the time and quotation, and paperless transfer of ownership, making it highly efficient, reliable, and "three opens."

Computerization, Doing Without Paper

The Shenzhen Stock Exchange and the Shenzhen Stock Registration Company and the stock agencies have begun early stage preparations to achieve computerized and paperless operations of the Shenzhen Securities Exchange market soon.

First, using Pao-an stock as a pilot project, they centralized trusteeship. Then, through accounting in two ledgers (securities and cash) in the stock exchange, they carry out stock transaction, settlement, completion and transfer of ownership. Practice proves that centralized trusteeship is effective. On this foundation, the next step is to handle five old stocks fazhan [4099 1455], jintian [6855 3944], wanke [8001 4430], yuanye [0626 6851] and anda [1344 6671] by centralized trusteeship to pave the way for more comprehensive promotion of computerized and paperless operation in the securities business.

Trading in the Shenzhen special renminbi stock (i.e., B stock) will begin on the Shenzhen Securities Exchange

before March 1992. B stock trusteeship transactions, intermediary transactions, settlement and transfer of ownership will all be computerized, paperless operations.

As for the 11 new stocks, after meeting the conditions to go on the market, they also may be traded on the Shenzhen Securities Exchange. If the operational method is in place on time, then trading will be a computerized, paperless operation, but if because of time or another factor it cannot be in place, then it will be by means of centralized stock trusteeship.

The Shenzhen securities computer network system may be completely connected by January 1992. To ensure successful network operation, it will be done by stages. First the Shenzhen Securities Exchange automatic computer intermediary and the B stock overseas transaction disclosure system will begin operations. After practical tests of its safety and stability, the securities jobber stock trusteeship transaction input system will be connected to the network and put in operation. After regularizing the operations of the above two major parts, the Securities Registration Company's registration and transfer of ownership system will be connected with the previous two systems. This will realize completely computerized operation and paperless transfer of ownership.

Beginning Preliminary Standardization When telling reporters about the Shenzhen Stock Exchange situation in the past year, Mr. Yu Kuo-kang said that 1 December 1990 was the watershed for the Shenzhen securities market.

Before the Shenzhen Securities Exchange began centralized trading on 1 December 1990, Shenzhen's securities market involved only over-the-counter transactions. There were major abuses in over-the-counter transactions, because securities firms handled buying and selling stock, completing the transaction and transferring ownership, hence inefficiencies and unfair situations occasionally occurred. In addition, frequently ten different firms quoted ten or more prices. This caused a series of problems such as obstructing quotations in the stock market, black market trading and black market transfer of ownership so that standardizing the securities market required centralized trading. The centralized trading in place since 1 December 1990 has eliminated over-the-counter trading and much difficult and painstaking work has been done effectively to bring under control the abuses that existed in over-the-counter trading and the stock market overheating.

In 1990, the total volume of business transacted in the Shenzhen stock market was 176.5 billion yuan. The total volume transacted in 1991 was 357.5 billion yuan, more than three times that of 1990. At the time of over-the-counter trading, the record day for transactions in the entire market was over 50 million yuan. Under the centralized trading conditions, on 13 November 1991, the volume of business concluded for the day was 110.41 million yuan. On 3 April 1991 the Shenzhen Securities

Exchange began to issue the Shenzhen stock price index (the base day index is 100 points). The lowest point for the Shenzhen stock price index was 45 points on 6 September 1991, and the highest was 136 points on 10 November 1991.

He said that the daily improvements in the Shenzhen securities market system has plugged the many loopholes in stock trading. Unifying stock prices across the market, promptly disclosing stock quotations, centralizing trading on the stock exchange, and transferring ownership in the Securities Registration Company has formed a mutually restrictive mechanism. The current manual operations in the securities business are backward but changes in this are just around the corner.

Prospects for the Securities Market

He said, in the plans for the next ten years, the Shenzhen Municipal Committee and the Municipal Government should improve the market system. In 1992 we should continue to improve such essential markets as production materials, finance and credit, stocks and securities, real estate, talent and labor, and scientific and technological information. We should also establish linkages between the Shenzhen market and international markets to expand import and marketing channels.

He estimated that in the nineties Shenzhen will need 98 billion yuan in construction funds but there are some prominent contradictions in supply and demand for capital. How can we raise such an enormous amount? Besides raising funds by such means as dependence on enterprise accumulation, financial revenues, imports from abroad and linkages domestically, and bank loans, we must do a better job of using the real estate, rental, securities, and insurance markets to find new ways to raise construction capital. When he talked about the Shenzhen Fund, Yu Kuo-kang told me that the aim of establishing the Shenzhen Fund was to increase investment efficiency. It was also to find a new avenue for the small stockholder who lacks the knowledge and time for investing and the investor who cannot very well get directly involved in stocks. Setting up a securities investment trust business, will provide some stockholders with an agency to concentrate their investment and reduce investment risk, and relieve the work pressure of securities firms. Preparations are now well underway for this measure that is linked with the development of the securities market.

Besides the Shenzhen Fund, overseas funds are another form in which the Shenzhen securities market absorbs overseas capital. The coexistence of overseas funds and issuing and trading B stocks are attempts to attract foreign capital.

Bank of China Develops, Prepares for 21st Century

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[Article by Lei Tsu-hua (7191 4371 5478), Vice President of the Bank of China: "Bank of China Strides toward the Year 2000"]

[Text] In the years after the Third Plenary Session of the 11th Party Central Committee, China made enormous world-renowned achievements in reform and relaxation and socialist modernization: economic power clearly improved, the life-style of people in the city and the countryside clearly improved, and the first strategic goals of modernization are realized. Simultaneously, the Bank of China also made great strides in conscientiously carrying out the policies and basic line of building socialism with a Chinese flavor.

In the past ten years, the Bank of China carried out comprehensively the responsibilities and mission that the state granted it. The bank made an important contribution to the state's socialist modernization. It performed its role as the nation's specialized bank for foreign exchange and foreign trade in such areas as handling the nation's foreign exchange revenue and expenditure, managing the nation's foreign exchange reserves, undertaking foreign financial activity, carrying out foreign fund-raising, promoting development of foreign economic trade, supporting enterprise technological transformation, and spurring on export-oriented economic growth in the coastal areas and in the interior. In the past ten years, with the powerful impetus of reform and relaxation, the Bank of China made great progress in its primary businesses. Deposits and loans in renminbi grew from 2.88 billion and 37.84 billion, respectively, to 78.148 billion and 192.02 billion, 26.1-fold and 4.07 fold growth, respectively. Foreign exchange deposits and loans grew from \$1.079 billion and \$4 billion to \$17.7 billion and \$23.804 billion, 15.4-fold and 4.9-fold growth, respectively. Total assets of the Bank of China, including branch banks overseas, grew at an average annual rate of 27.6 percent, from 76 billion yuan to 859.1 billion yuan. The average annual rate of growth in profit realized reached 30.6 percent. With the growth in business, the Bank of China grew in ten years from a foundation of 58 branch organizations and over 5,000 employees to a network of more than 5,000 agencies and more than 70,000 employees nationwide in provinces, municipalities, autonomous regions, cities under jurisdiction of counties, and special economic zones, most local areas and cities and some economically developed counties and cities. Simultaneously, the bank established or expanded a large number of branches with more than 15,000 overseas employees in 13 nations and regions, including New York, London, Paris, Tokyo, Frankfurt, Singapore, Luxembourg, Sydney, Hong Kong and Macau, including the China Bank Group in Hong Kong and Macau. The great advances made by the Bank of

China in the eighties, in such areas as strong capital, businesses and organizational staff laid a foundation for further developments in the nineties.

The Primary Circumstances Facing the Bank of China

During the early nineties many major changes took place in the international situation. The world order that had continued for over forty years after World War II is smashed, but a new pattern has not yet taken shape and multipolarization is still developing. The major readjustments in global international relations led to an imbalance in the balance of forces and some hidden political, economic and ethnic contradictions became prominent again; the gap between north and south, rich and poor widened further; and the interweaving of old and new contradictions worldwide will make the future international situation even more unstable.

In the arena of international finance during 1992, the large unified West European market will enter a stage of initial implementation, and the "Basel Agreement" ratified jointly by the presidents of the central banks of the Western "Group of Ten Countries" will formally go into effect. As a result, the united management and control of international banking activity by primary Western countries will tend to grow stronger. Such factors as the unification of the two Germanys, the changes in the Soviet Union and the countries of East Europe, and the reconstruction after the Gulf war will greatly increase the demand for funds in the international capital market. Changes have occurred in the direction, form and quantity of capital exported by the Western economic powers such as the United States and Japan and the emphasis of primary banking business will progressively turn from the international market to domestic markets. Consequently, in the near future, there will be an imbalance in supply and demand with demand exceeding supply in the international capital markets. International banks will change from their past management strategy of vigorously expanding the scale of assets in favor of enhancing their own power by such means as constantly promoting new financial instruments, improving the level of service, pursuing high quality assets, and through mergers and acquisitions. The managerial risks of banking will continue to increase and competition within the industry will tend to become more fierce.

Domestically, in the two years since the Fourth Plenary Session of the 13th CCP Central Committee, China's improvement and rectification have already made evident achievements: inflation is effectively under control, the price index has again declined a great deal, the growth rate of industrial production has returned to normal levels, foreign trade has continued to grow, the state's foreign exchange reserves are steadily increasing, and economic order has improved. Improvement and rectification has not stopped but continues to penetrate deeper and develop and favorable conditions for further reform and relaxation. The Fourth Session of the Seventh National People's Congress convened in March, 1991, passed a ten year plan for China's national economic and social development and the outline of the

Eighth Five-Year Plan. This indicates that China's nationalities have begun to realize the great course of the second strategic goal of modernization. From 1991 to 2000 is a crucial period in the historical course of China's socialist modernization. Whether we can consolidate and develop in the nineties the enormous achievements gained in the eighties and further accelerate vigorous economic growth and social progress is directly related to the consolidation and development of China's socialist system and the future and fate of the Chinese peoples. For the Bank of China, the nation's specialist foreign exchange and foreign trade bank, the next ten years also will be a very important period for continued growth. The state needs our bank to do a better job of assuming the function of economic regulation and implement industrial policy. By assuming a greater mission in such areas as using foreign capital, domestic and foreign currency credit, participating in international financial activity, we will play a greater role in promoting China's modernization.

Basic Guiding Principles for Growth in the Next Ten Years

The "Central Committee of the Chinese Communist Party's Proposals for Formulating a Ten Year Plan for China's Economic and Social Development and the Eighth Five-Year Plan" passed by the Seventh Plenary Session of the 13th CCP Central Committee set forth clearly for us the guiding principles we must follow. The most important of these principles are to resolutely take the path of building socialism with Chinese characteristics; resolutely promote reform and relaxation; resolutely carry out the principles of continued, stable and coordinated development of the Chinese economy; resolutely to carry out the principles of independence, self-reliance, bitter struggle and building the country through thrift and hard work; resolutely to carry out the principle of equal stress on building a material culture and building a spiritual culture. Based on the Central Committee's "Proposals," the basic guiding principles for the Bank of China's development in the ten years to come are:

- Uphold the development direction and nature of the Bank of China as the state's specialized bank for foreign exchange and foreign trade and firmly carry out the state's financial and industrial policy and assume the functions of economic control.
- Comprehensively carry out the important responsibilities and missions granted us by the state, including managing the state's foreign exchange reserves, undertaking settling international accounts, functioning as the major channel for raising funds externally, supporting foreign trade and carrying out the state's export plan, supporting key state construction projects, and supporting enterprise technological transformation.
- Uphold the reform direction of putting administration and management on an enterprise footing, constantly improving the awareness of competition and service, further improve the dominant position of foreign exchange, vigorously turn around the inferior position

of our currency, strengthen funding, increase the varieties of business, expand business locations, improve scientific management, and improve economic efficiencies.

—Overseas branches should continue to uphold the principles of “have a foothold abroad and serve the four modernizations” and actively open new areas and steadily grow. They should further strengthen funding, improve the management level of assets responsibility, improve the structure of assets responsibility, vigorously improve internal management and systematization, constantly improve the general quality of employees, and strive to create new situations in work abroad. For the smooth return of autonomy of Hong Kong and Macau the Bank of China Group in Hong Kong and Macau should maintain prosperity and stability in the transitional period, and play an active role in maintain Hong Kong as an international financial center.

In the next ten years, in the second strategic goal of the state to realize socialist modernization, the Bank of China must play a greater role in promoting national economic growth, fostering technological advance, developing an export-oriented economy, and launching external financial activity, and must make an effort to make our bank a major modernized international bank with an outstanding reputation and solid strength, advanced economic management level, able to supply highly efficient, high quality, multi-function service, and can conduct global business.

In summary, reform and relaxation have spurred enormous growth in the Bank of China and simultaneously have also constantly made greater demands on the business and work of the Bank of China. While moving toward the year 2000, the Bank of China will constantly develop, strive to forge ahead and endeavor to make more and greater contributions to China in socialist modernization.

INDUSTRY

Ministry of Machine Building Issues Circular

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in Chinese 10 Mar 92 p 2

[Article: “Ministry of Machine Building and Electronics Circular Notice on Improving Large and Medium-Sized State-Owned Enterprises”]

[Text] The Ministry of Machine Building and Electronics’ general line of thinking about improving large and medium-sized state-owned enterprises is as follows: Adherence to a socialist orientation, and management of machine building and electronics industries throughout the country as a single large industry, ensuring full implementation of national industrial policies in machine building and electronics industry, ensuring fulfillment of industrial plans, and ensuring completion of

key national tasks. The ministry will use multiple avenues to transform the mechanism and to smooth the transition for the gradual invigoration of the industry.

1. Full Understanding of the Major Significance of Large and Medium-Sized Enterprises Improvement, Increasing the Sense of Urgency

Improvement of large and medium-sized state-owned enterprises has a direct bearing on the stability of the overall national economy, the leading position of the publicly owned economy, and the consolidation of the entire socialist system. Large and medium-sized machine building and electronics enterprises play a decisive role in the overall development of the machine building and electronics industry, which is in urgent need of invigoration. Therefore, the sense of urgency must be increased, improvement of large and medium-sized state-owned enterprises given particular emphasis.

2. Actively Setting the Stage for Moving Large and Medium-Sized State-Owned Machine Building and Electronics Industries Toward Markets

(1) Gradual Building of a Machinery and Electronics Products Marketing System. Gradual building of a machinery and electronics products marketing system requires general contracting for complete plants as a means of creating conditions for large complete plants to market goods without difficulty; futures trading to solve the problem of coordinating the various services required in the machinery and electronics products production cycle with the goods delivery cycle, thereby creating conditions for the smooth marketing of individual items, small lots, and special purpose machinery and electronics; and increasing the transparency of spot exchange markets to solve the problem of a disparity between the value and the prices of goods as a means of creating conditions for smooth marketing of common machinery and electronics products.

(2) Better Direction of Machinery and Electronics Products Markets. Machine building and electronics industry management units at all levels must improve their regulation of machinery and electronics markets, regularly providing information about supply and demand, and about price changes and new products from domestic and foreign markets, regularly issue catalogues about hot selling goods and outmoded goods, do a good job of forecasting the development of key products, and build a system for early market forecasting.

(3) Special Emphasis on Sales Work. Enterprises must build sales and after-sales service networks. They must muster their personnel to build market forecasting and analysis teams and sales forces having technicians, and they must increase the percentage of sales engineers among technical personnel in the gradual fashioning of an integrated system that provides consulting, sales, and maintenance services. It is necessary to maintain the principle of “increasing smooth flow of goods, limiting flat sales, and halting stagnation,” deciding production on the basis of sales to halt the overstocking of goods in

inventory for genuine solution to the problem of dovetailing production with sales.

(4) Good Performance in Guiding Enterprises Entry Into Markets. Units in charge at all levels must be sure to do comprehensive research, organize well, and both maintain a reform orientation in which they adopt truly vigorous measures for moving ahead, and also take care of the cooperative production relationships that have taken shape over the years to avoid causing major ups and downs.

3. More Pervasive Reforms to Promote Change in the Enterprise Administrative Mechanism

All jurisdictions are adopting diverse means of deepening reform to change the administrative mechanism today. Examples include input-output contracting, all-personnel written agreement contracting, separation of profits from taxes, a stock share system, emulation of joint venture enterprise policies, and "one plant, two systems" management systems. All jurisdictions may select the administrative system that is best for local large and medium-sized machinery and electronics enterprises as their own realities warrant after reaching agreement with departments concerned in the local government. In this way, they can orient toward the market and be responsible for their own operations, thereby becoming commodity producers who meet the needs of a planned commodity economy.

Enterprises suffering serious losses must sort out their problems and handle them one by one. Enterprises that are losing money as a result of state policies must adopt a "one plant, one manager," and a "one plant, one policy" system, suitably adjusting policies so that they can do normal business. Enterprises sustaining heavy losses because they are not run well and whose products have no prospects should encourage vigorous enterprises to take over a portion of their operation, and they should shift the other part of their operation to different lines of production. Where conditions permit, they should institute bankruptcy proceedings, thereby freeing the assets they own for further use.

4. Perfection of Enterprise Blocs, Priority Going To Improving Leading Enterprises in an Industry

(1) Improvement of the Organization and Management of State Plan-Designated Machinery and Electronics Enterprise Blocs. The state has already approved 16 machinery and electronics enterprise blocs to run pilot projects. These blocs have been designated in state plan and are administered by industry administrative units. The key to organization building and improvement of these enterprise blocs lies in greater investment, improved cohesiveness, and the use of mergers, stock share participation, contracting, leasing, and administrative apportionment to demolish the "three immutables," to strengthen the key level, and to expand the closely-knit level in order to integrate the management of assets. Where conditions permit, blocs should set up finance corporations to gradually take over the functions of

raising capital from within, raising finance capital, and attracting funds from society at large. They should act in the spirit of State Council Document 71 (1991), gradually instituting "six uniformities" in the activities of the closely knit level, also choosing a certain percentage of sales revenues as a new products development fund for concentrated use.

(2) Increased Direction to Pilot Project Blocs in All Provinces and Cities. All jurisdictions must actively organize enterprise blocs as circumstances permit, selecting two or three such enterprise blocs as pilot projects, making them a part of provincial or municipal plans so that they can develop with all possible speed and steadily grow in strength. Methods for managing such blocs must be actively explored. Units in charge of the machinery and electronics industry in all provinces and cities must devote close attention to the formulation of concrete management methods.

5. Continued Intensification of Macroeconomic Regulation and Control, Devoting Efforts To Improving the External Climate for Large and Medium-Sized Enterprises

(1) Close Attention to the Coordination of Overall Planning and Organization. Close attention to the coordination of overall planning and organization entails continued all-around implementation of the spirit of the State Planning Commission and Ministry of Machinery and Electronics Industry *Circular Notice on Overall Planning in the Machinery and Electronics Industry* (Jidianji [1991] no 936), inculcating the idea of regarding the entire country as a single chessboard, weakening the demarcation lines between sectors and industries, and strictly abiding by rational economic principles in planning product development and construction projects. Once the 25 industries plan has been defined, it must be implemented. The development of hot-selling products such as motor vehicles and color television tubes must continue to be more fully controlled and adjusted, hot-selling goods examination and approval responsibility system established, and positively no approval given for projects that should not be approved in order to prevent the tendency toward a spread from low level duplication to high level duplication of projects. Where serious duplication of projects and products has already occurred, adjustments must be resolutely made.

(2) Industry Regulatory Units Must Respond to the Need to Improve Large and Medium-Sized Enterprises by Changing the Substance of Regulation and the Way They Regulate. They must adhere to the principle of a separation of government and enterprise administration, and uphold implementation of the *Enterprise Code*. Economic levers such as interest rates and tax rates should be applied for the regulation of economic activity; tilt policies should be adopted to support the development of key projects and key products enabling them to become relatively dominant. Competition, survival of the fittest, diversification, and reorganization are to be

encouraged. Sectors concerned should coordinate adoption of annual rolling plans for complete plant projects in the gradual institution of a complete plant pre-planning and pre-payment system. The handing down of command-style plans, the planning of key tasks, the formulation of price policies, and the supervision and inspection of quality and safety should be improved and perfected in accordance with requirements for supporting reform and coordinating reform so that these actions help improve large and medium-sized enterprises.

(3) Creation of a Needed External Climate To Improve Large and Medium-Sized Enterprises. In improving and perfecting control over imported machinery and electronics equipment, products that the country is already able to produce or that it will be able to produce following the importation of some necessary parts, particularly major products, must be strictly checked. The export quality certificate system must be further perfected, and export procedures streamlined to solve the problem of export mix-ups and driving down prices as a result of one Chinese firm competing with another. The machinery and electronics market order must be straightened out in cooperation with government departments concerned; efforts by sectors and regions to wall themselves off must be smashed; and smuggling and trafficking in illegal goods must be stamped out to create a fine climate for the development of large and medium-sized enterprises.

6. Policy Tilts To Accelerate the Technical Progress of Large and Medium-Sized Enterprises(med)

(1) Major Support for Large and Medium-Sized Enterprises To Enhance Their Ability To Develop New Products. In laying out state scientific and technical attack plans, state technical development plans, ministry key attack plans, and new product trial manufacture plans for the machinery and electronics industry, policies should be tilted in favor of large and medium-sized enterprises to take fullest advantage of the enthusiasm and creativity of scientific and technical personnel in large and medium-sized enterprises. Scientific research and design institutes should work closely with large and medium-sized enterprises. To encourage the development of some products, research institutes can build close contacts with large and medium-sized enterprises in various ways. Where conditions warrant, researchers must go directly into the large and medium-sized enterprises. While improving their own research and development capabilities, large and medium-sized enterprises can develop new products through the use of project cooperation, and the use of scientific and technical forces from elsewhere, and they can contract scientific research projects elsewhere, transfer technology for compensation, and develop technical consulting services to augment their research income and to give their scientific and technical corps greater experience. The regulation requiring the withholding of 1 percent of sales income for a technology development funds must be strictly enforced, and every effort should be made to

withhold expenses for new product development insofar as enterprises own circumstances permit and in conjunction with specific local policies. By way of supporting enterprises in the development of new products, the state has drawn up a series of preferential policies providing reduction or exemption from tax payments for a period of 2 to 3 years on new products. The Ministry of Machine Building and Electronics Industry is about to draw up a document to guide enterprises, particularly large and medium-sized enterprises, in how to use these preferential policies well and to full advantage as an effective means of advancing enterprises' technological progress.

(2) Accelerating the Technological Transformation of Large and Medium-Sized Enterprises. When setting up projects and deciding where technological transformation is to be carried out, priority consideration should be given to selecting the best of large and medium-sized enterprises. Funds earmarked for technological transformation should be concentrated for use on key technological transformation projects in large and medium-sized enterprises, and enterprises should be helped to raise funds for technological transformation by attracting foreign funds, and by issuing share certificates and enterprise debentures. The authority of pilot project enterprises to invest should be appropriately expanded. In cases where accelerated depreciation has already been decided, various preferential policies such as exemption from payment of the two funds [liang jin 0357 6855] [Might this mean profits and taxes?] should be put in place with all possible speed to provide sufficient funds. The use of electronics technology for the transformation of large and medium-sized machinery and electronics enterprises must be accelerated. Large and medium-sized enterprises that rapidly update their products and have a good technological foundation should be vigorously supported in the application of computer-assisted design and computer-assisted manufacturing (CAD/CAM) technology. The Ministry of Machine Building and Electronics Industry will use prototype production money for 17 technologies to provide complete, sophisticated, and mature technological equipment for enterprises' technological transformation, and it will spread this equipment throughout the industry.

(3) Stabilization and Reinforcement of Large and Medium-Sized Enterprises' Scientific and Technical Corps. Major efforts must be devoted to the continued education and on-the-job training of technical personnel to improve the professional skills of incumbent technical personnel, special emphasis being given to the training of a group of middle age and young ranking personnel. The percentage of technical personnel in the total work force must be increased. In the assignment of graduates from college and secondary technical schools, priority must be given to large and medium-sized enterprises. Recruitment of rank-and-file technical personnel and new workers must be gradually changed. No longer should they be recruited from society at large but rather entirely from among graduates of technical and vocational

schools. Policies should be drawn up to encourage staff members and workers in enterprises to study technology as a means of gradually improving and strengthening the ranks of technical workers. Bonuses to scientific and technical personnel should be linked to the number of new products developed and new product sales. Personnel making outstanding contributions should be given priority in job assignments, housing, and promotions for the gradual building of a system that encourages job continuity among talented personnel and stirs the enthusiasm of scientific and technical personnel.

7. Close Attention to Pilot Projects for Reform, Using Typical Cases In Guiding the Promotion of Internal Reform

(1) Active Support For and Participation In Local Reform Pilot Projects. Since the Central Committee Work Conference, all jurisdictions have taken fairly large strides in the intensification of enterprise reform. Quite a few machine building and electronics enterprise have signed up as pilot project enterprises in various jurisdictions. In its role as the department in charge of the industry, the Ministry of Machine Building and Electronics must respond to this new situation at once, providing enthusiastic support to reform in all jurisdictions, and actively taking part in machine building and electronics enterprise reform pilot projects.

(2) Promotion of Reform Measures as Realities in the Firm Warrant. In reforming the distribution system, pilot projects should be used as a basis for the gradual promotion of position skills wage system that is in keeping with the complexity and the diversity of positions in machine building and electronics enterprises. The Ministry of Machine Building and Electronics will also draw up labor time norms and quotas for personnel on the second line of production to enable machine building and electronics firms to accelerate labor evaluation work, and to create the conditions as quickly as possible for the institution of a position skills wage system, thereby gradually smashing "large common pot" egalitarianism and "iron rice bowl" sinecures. In reforming the labor use system, an all-personnel labor contract system must be promoted, and competition for positions, jobs within plants while awaiting full employment, transfers to other jobs, and training instituted, thereby making it possible for personnel to move upward or downward, and to enter and leave plants in a rational flow.

(3) Establishment of a Contact Point System for Follow-Up Summarization of Pilot Project Experiences. By way of guiding across-the-board reform, the Ministry of Machine Building and Electronics Industry has selected various enterprises and two or three key cities to serve as contact point to which people will be assigned to go into the front lines of production to provide substantive assistance and guidance to key enterprises in accelerating mechanism changes that increase vitality. In addition, they will make a timely summarization of the experiences in reform of pilot project enterprises and contact

areas, the better to provide guidance to the reform of firms and to give impetus to greater improvement of large and medium-sized enterprises. Some of this work must be done in cooperation with local governments. Units in charge of the machine building and electronics industry in all jurisdictions must take active part in this work, and work together to move ahead with it.

8. Intensification of Ideological and Political Work To Ensure Improvement of Large and Medium-Sized Enterprises

Improvement of large and medium-sized enterprises requires that we make fullest use of our political advantages in a vigorous intensification of ideological and political work in enterprises. This work must be related to reforms underway, the focus being on various ideological and perceptual problems occurring in reform of the personnel, labor use, and distribution systems in large and medium-sized enterprises, attention paid to practical ideological work. A major effort must be made to provide education in vocational ethics for the building of socialist enterprise culture and increase in the sense of responsibility of staff members and workers as "masters." An atmosphere of concern for ideals, observation of discipline, active work, civilized production, and making a conscious contribution to the enterprise's development must be inculcated in the rank and file. More must be done to build clean government, and continued efforts made to correct unhealthy tendencies in enterprises. Special attention must be given to problems such as too many meetings, the inappropriate tenor of meetings, arbitrary assessments, and arbitrary levying of fees, and the use of comparison, assessment, and examination for private gain, an effective supervision mechanism being built to eliminate interference in improving large and medium-sized enterprises. More auditing and discipline inspection work must be performed to perfect enterprises' self-limitation mechanisms in order to assure smooth reform and development of machine building and electronics industries.

ECONOMIC ZONES

Shanghai Mayor Outlines Policies for Pudong

*OW1403222992 Shanghai JIEFANG RIBAO in Chinese
11 Mar 92 p 1, 3*

[Report on "Highlights" of speech by Shanghai Mayor Huang Ju at news conference held at the Yinhe Hotel in Shanghai on 10 March: "At The Municipal People's Government's Press Conference, Mayor Huang Ju Announced That The State Council Has Formulated Five New Preferential Policies for New Pudong District; Shanghai Is Determined To Build 'Chinese Brands' and 'International Brands'; Waigaoqiao Free Trade Zone Administrative Committee Officially Established; Comrade Deng Xiaoping Calls on the People of Shanghai To Further Emancipate Their Minds, To Be Bolder, and To Move at a Quicker Pace. Although Pudong Is Being Developed Later Than Shenzhen, It Can Start at a

Higher Level and It Can Surpass Shenzhen; Chairman Yang Shangkun Hopes That Shanghai Will Be Able To Resume and Play Its Role as a World Financial and Trade Center In a Shorter Period of Time, Efforts Should Be Made To Enable The Development and Opening Up of New Pudong District and the Construction of Shanghai To Reach a New Height by the End of The Century"]

[Text] The Shanghai Municipal People's Government held a press conference on Shanghai's opening up to the outside world and Pudong's development in 1992 at the Yinhe Hotel yesterday evening. At the press conference, Mayor Huang Ju briefed the attendees on new policies and new measures formulated by the central government for Pudong's development, announced five new measures to be taken by the municipal people's government within the year, and answered questions from Chinese and foreign reporters (contents of questions and answers published separately).

The press conference was chaired by Vice Mayor Zhao Qizheng. Vice Mayors Gu Chuanxun and Xie Lijuan and the advisers to the municipal people's government Wang Daohan and Li Chuwen attended the conference. Some 400 people including foreign, Hong Kong, and Macao reporters stationed in Beijing and Shanghai; reporters of the central government's news agencies and reporters of Shanghai Municipality's news units; officials of foreign embassies in Shanghai; representatives of foreign business community and "three types" of foreign invested enterprises; representatives from offices of the central government and other provinces and cities in Shanghai; and foreign businessmen participating in the East China Export Trade Fair and members of various delegations attended the conference.

Below are detailed highlights of Mayor Huang Ju's speech made at the municipal people's government's press conference held yesterday:

Since the announcement of the development and opening up of Pudong, Shanghai, China's largest city and economic center, has achieved substantial progress. Everyone is eager to know the next phase of Pudong's development and Shanghai's new steps in opening up to the outside world in 1992. Today, I shall brief you on matters of our common concern.

I. The New Requirements of the Central Leadership and the Veteran Revolutionaries on the Development of Shanghai's Pudong

The CPC Central Committee, the State Council's leadership, and the veteran revolutionaries are keenly interested in and support the development of Shanghai's Pudong; the development and opening up of Pudong is a key project in China's reform and opening up in the 1990's. During this year's spring festival, Comrade Deng Xiaoping and Chairman Yang Shangkun once again came to Shanghai to do inspection work, they have personally inspected the work sites of New Pudong District, Nanpu Bridge, and Yangpu Bridge and some

foreign-funded enterprises. They were satisfied with the dynamic scenario of Shanghai's construction. Deng Xiaoping pointed out that the people of Shanghai are more agreeable [min xin bi jiao shun 3046 1800 3024 6525 7311], which is an enormous source of strength. In a year, Shanghai will undergo tremendous changes; in three years, the changes will be even more extensive. He called on the people of Shanghai to further emancipate their minds, to be bolder, and to move at a quicker pace. Comrade Xiaoping pointed out: Shanghai has a distinct advantage in terms of human talents, technology, and management in a wide variety of areas; it is currently well qualified to forge ahead at a quicker pace. Although Pudong is being developed later than Shenzhen, it can begin at a higher level, and I believe it can surpass Shenzhen.

President Yang Shangkun hoped that Shanghai would regain and bring into play its role as a center of world finance and trade in a fairly short time. He asked us to work hard and bring the development and opening up of the New Pudong District and the construction of Shanghai Municipality to a new level by the end of the century.

Leaders of the party Central Committee and State Council have also attached great importance to Pudong's development. Over the past six months, General Secretary Jiang Zemin, Premier Li Peng, and other central leading comrades successively came to inspect Shanghai's New Pudong District and gave a series of important directives.

General Secretary Jiang Zemin said: The party Central Committee and State Council are very concerned about and supportive of the development of Shanghai's Pudong. The effective development of Pudong will play an important role in the development of the entire country.

Premier Li Peng recently announced to the world: Shanghai's New Pudong District is a major region in China open to the outside world from now on. It is also one of the regions with the best environments in China for foreign investment, and we hope that more foreign businessmen will invest in Pudong.

During this period, among those who inspected the district included Chairman Wan Li and members of the Standing Committee of the Political Bureau and vice premiers of the State Council. The large number of central leaders who came to Shanghai within such a short time was unprecedented.

The sincere concern of the central leaders and revolutionaries of the older generation has given tremendous encouragement to the Shanghai people. We have decided to quicken the pace of Pudong's development and opening to the outside world and make greater contributions to the revitalization of Shanghai.

II. New Progress of Pudong's Development During the Past Year

During the past year, new progress has been made in Pudong's development. Generally speaking, it was a good beginning. There are five aspects in the characteristics of development:

1. Approval was granted to over 20 Chinese-funded and foreign-funded banks and their branches, finance companies, insurance companies, and stock exchanges to operate in Shanghai. There has been an improvement in the environment of financial sectors.
2. Over 180 foreign-invested projects with a total investment of \$800 million were approved. The number of this new batch of foreign-funded projects was five times that of the total projects approved in 10 years prior to the announcement of Pudong's development. This is a very good trend. Over 700 locally funded enterprises with a total investment of some 900 million renminbi were newly approved.
3. Construction of 28 financial and commercial and trade buildings with a total investment reaching 5 billion renminbi were approved. Piling work for five buildings began last year, and work will begin this year on at least 12 buildings.
4. Ten major construction projects of the municipal government with a total investment of 14 billion renminbi have begun in succession. Of these, Nanpu Bridge and the second phase of the Pudong gas plant project have been completed. The two main towers of Yangpu Bridge have reached a height of 120 meters, and the work of laying the bridge's surface will begin on 1 July this year. It will be opened to traffic ahead of schedule by the end of next year. Construction of Yanggao Road, a trunk road 24.5 km long and 34 meters wide running through the north and south of the new district and linking various major development subregions, will be started, completed, and opened to traffic within this year. This will be the fastest construction project in the history of Shanghai's road constructions. The construction of four berths along the coast at the Waigaoqiao new port area is being undertaken earnestly, with one of the berths to be put into use this year. Power plant, water plant, and sewage drainage projects are also being carried out earnestly.
5. The actual work on small priority zones has begun. Leasing procedures for 10 km of land in three small priority zones have been completed and the leasing of land has begun. Infrastructure construction in the zones has been stepped up. The Waigaoqiao exclusive zone began operations yesterday following a check-up by the General Administration of Customs. Over 80 percent of the 0.45 square miles of land within the exclusive zone have been leased out. Construction of the standard plant buildings in the Jinqiao Processing Zone has begun. Construction of the Qitong Yi Ping (0003 6639 0001 1627/"seven communications, one leveling") has been accelerated; some 20 domestic and foreign firms have

already moved into it, including a Japanese firm called Alice Garment Ltd Co., which began production at the end of 1991. Tearing down of old buildings at the designated site of the Lujiazui Financial and Trading Zone has been completed and the laying of foundations for some office buildings has begun. Shanghai has also started building the tallest television tower in Asia; this year's construction pace may exceed 150 meters.

All in all, exciting scenes of construction can be seen everywhere in the New Pudong District. As more foreign businessmen are expected to take part in the construction of the new zone, the scale of construction there will be far greater than originally planned.

III. This Year, the Central Government Formulates More Preferential Policies and Grants Additional Supporting Funds to Shanghai's New Pudong District

Two years ago, the State Council had formulated 10 preferential policies for Shanghai to develop Pudong. At the beginning of this year, to render more support to the development of Pudong, increase the efficiency of project approvals in the New Pudong District, accelerate the infrastructure construction speed, and enlarge the sources of development funds for Pudong, the State Council once again formulated five more preferential policies for the New Pudong District and five more ways for it to pool funds.

The five preferential policies are as follows:

1. Shanghai is authorized to approve Chinese-funded or foreign-funded foreign trade enterprises that are engaged in the transit trade in the Waigaoqiao bonded zone.
2. Shanghai is authorized to approve the business-operation rights of the large- and medium-sized state-run enterprises to engage in import and export of products in the New Pudong District.
3. Enlarge the authority of Shanghai to approve the nonproductive projects in the New Pudong District.
4. Enlarge the authority of Shanghai to approve productive New Pudong District products whose total investment amount is under 200 million yuan.
5. Shanghai is authorized to issue stocks and bonds within the prescribed limit set by the central government. Shanghai may decide on its own regarding the details of the issuance of stocks and bonds. Stocks issued throughout the country are also allowed to be transacted in Shanghai.

To increase the sources of funds, the central government delegates fund-pooling rights to Shanghai in the following five areas:

1. Shanghai is allowed to issue 500 million yuan in construction bonds each year.
2. In addition to granting \$100 million in loans each year, Shanghai will annually receive \$200 million in loans at preferential interest rates.

3. To help Shanghai pool funds for the development of Pudong, Shanghai is allowed, in addition to the already approved amount, to issue 100 million yuan in renminbi stocks.

4. Shanghai is allowed to issue \$100 million in B shares each year.

5. In addition to the annual allocation of 200 million yuan, starting this year, the state will additionally allot 100 million yuan renminbi to Shanghai.

The above measures are effective during the 1992-1995 period. If all goes well, the above measures will help generate about 4 billion yuan renminbi.

After nearly two years of work, we have gradually defined policies for the New Pudong District and enabled the district to acquire more distinct characteristics. On the whole, the "newness" of the New Pudong District manifests itself in the following five aspects:

1. Foreign enterprises are permitted to open tertiary industries such as department stores and supermarkets in the New Pudong District. Recently, permission was given to establish the first Sino-Japanese joint venture of Yaohan Ltd Co. in Shanghai. This is the first large-scale Sino-Japanese joint retail store, and plans are in store to continue developing such stores.

2. Shanghai is authorized to set up stock exchanges and to examine and approve efforts to float renminbi- and B-shares for the development of Pudong.

3. The most opened bonded zone in China, or a free trade zone, will be set up in Waigaoqiao in the New Pudong District. Special preferential policies to be granted in this zone are exemptions from customs duties and licences, permission to set up international trade bodies funded internally or externally, full retainment of foreign exchange by enterprises, and free flow of currencies from various countries.

4. Foreign investors are permitted to establish such financial institutions as banks and finance and insurance companies throughout Shanghai.

5. The central authorities grant Shanghai more authority to examine and approve such matters as the establishment of aforementioned production- and nonproduction-related projects in the New Pudong District and the management of import and export businesses by enterprises themselves.

These, and other measures, constitute the preferential policies given to the New Pudong District and distinguish the newness between the new district and special economic zones. They provide the new district with the new power and vitality to serve as key zones for China's reform and opening in the next decade.

IV. New Measures To Be Adopted by the Shanghai Municipal Government in Developing Pudong

To further emancipate the mind, deepen the reform, open wider to the outside world, and accelerate the development of Pudong, the Shanghai Municipal Government will introduce the following five measures this year:

1. The dynamic of reform will be enhanced, and management systems will be refined. We will transform our old setups and systems into new ones late this year or early next year in order to run the new district more effectively. For this purpose, we have set up a special group to thoroughly study and draft a program on the management system of the New Pudong District. We will work hard to draw up a modern, highly effective, and competent administrative and management system suitable for the development of Pudong, based on the ideology of carrying out bold reform, having the courage to explore, break with convention, and blaze new trails.

2. We will improve services to businessmen and simplify approval procedures. Prior to the formal introduction of a new structure for the new zone, we will provide "streamlined" services for those domestic and foreign firms that want to invest in Pudong. This is aimed at improving the soft investment environment in Pudong. Shanghai's management and service departments will soon dispatch personnel to the Pudong New Zone and to the Pudong development office building, so people do not have to go to both Pudong and Puxi and have their Pudong matters handled either at the foreign capital commission or at the Pudong office. We will also establish highly efficient service and work procedures in the areas of investment consultation, project approval, business site selections, commercial registration, customs management, and financial services. Because Pudong is a new zone, we will strive to adopt "a new work style to handle new matters," raise efficiency, save time, and facilitate investors.

3. We will form a Waigaoqiao bonded zone administration committee, in order to bring about the formal operation of the Waigaoqiao free trade zone. After a year of full preparation, we have formulated relevant policies, regulations, and operation procedures for the management of the bonded zone. As the exclusive zone has been checked and approved, 12 foreign trade enterprises in Shanghai have moved into the bonded zone. Japan's C. Itoh (China) Ltd Co. is the first company that has been approved to carry out international trading activities in the bonded zone. This year, we will approve more domestic and foreign trading agencies to carry out international trading activities in the bonded zone. We appreciate the support given by the General Administration of Customs to the development of Pudong and to the construction of the Waigaoqiao bonded zone. Now, I wish to take this opportunity to officially declare the formal establishment of the Waigaoqiao Bonded Zone Administration Committee. As an agency of the municipal government, the administration committee will

exercise unified management over the bonded zone. The establishment of the administration committee signifies the formal operation of the Waigaoqiao free trade zone.

4. We will deepen financial reform, improve stock market, and enhance the work on the issuance and circulation of stocks and bonds in Pudong and all of Shanghai. Shanghai is expected to double the amount in the issuance of stocks and bonds this year. This will not only pool more construction funds for Shanghai, particularly development funds for Pudong, but also help the growth and gradual improvement of the Shanghai stock market.

5. We will implement preferential policies on land prices to attract domestic and foreign investment. All lands in New Pudong District currently have been put into use through compensation; land prices are divided into seven categories according to location, quality, and types of use. During the last year, we have adhered to the principle: "bring in projects in accordance with the plan and allocate land, and give preference to projects on the basis of efficiency," and we have carried out the transfer of land-use rights with compensation at lower land price at the early stage of developing New Pudong District. To attract more domestic and foreign entrepreneurs to invest in New Pudong District, the municipal government decided that before the end of 1993, various land leases in New Pudong District shall be transacted at 1991 price levels with no price changes during the three years. We will sincerely build the "China Brand" and the "world brand," and we welcome more domestic and foreign enterprises to come to Pudong to lease land and to invest in its development.

V: The Blue Print for New Pudong District's Development During the Next Three Years

Shanghai's New Pudong District is forging ahead at a solid and swift pace, it will present itself to the world with an all-new image in three years' time:

- The construction of the 10 key backbone projects and the various supporting basic facilities have been completed successively, forming the framework of a modernized metropolis. The new district's road transportation, energy supplies, telecommunication facilities, environmental controls, supporting municipal government services, and other aspects of the investment climate will be significantly transformed.
- Some 20 multipurpose finance and trade buildings and a number of cultural and entertainment facilities will be erected around the "Pearl of the Orient" television transmission tower in Lujiazui District, forming a financial and trade center complementing that of the Puxi area.
- Following the completion of the four 10,000-tonne berths and the perfecting of various management systems, the Waigaoqiao Free Trade Zone will become the nation's most opened free trade zone. A large number of Chinese and foreign trading companies will

commence trade activities in line with international practices according to the law, and thus stimulate the rapid development of Shanghai's and the Changjiang region's export-oriented economy.

—The Jinqiao Export Processing Zone will approve and set up some 150 "three types" of foreign-funded enterprises to form a new industrial base characterized by high economic efficiency, superior product quality, high proportion of exports, and actual strength.

—A new and high-technology development zone focusing on microelectronics, computer software, modern telecommunication facilities, and new materials within the Zhangjiang High Technology Park will be developed.

During the period of the "Eighth Five-Year Plan," the gross national product [GNP] of the New Pudong District will be more than doubled every five years based on 1990 statistics, and the per capita GNP will total about 10,000 renminbi. Within about three years, we will work hard for the approval and establishment of about 1,000 Chinese-foreign joint ventures, cooperative enterprises, and exclusively foreign-owned enterprises and the utilization of over \$2 billion in foreign funds. We will also develop some 1,000 local joint enterprises and establish and build up some 1,000 commercial and trading organizations and commercial networks. This will truly establish a new aspect in the development and opening up of "East Shanghai," where "all sides come enthusiastically and thousands of businessmen gather." This will be a first step in the three-step realization of the development of the New Pudong District and a level that will be achieved in five years.

According to a preliminary and rough computation, to fulfill these tasks, a total investment of 45.5 billion renminbi is needed for the investment plans of the total fixed assets projects in the New Pudong District. Funds currently have been basically procured. These include funds provided by the central authorities and the Shanghai Municipal Government, income from stocks and bonds of Chinese-funded banks, investments from local and central enterprises participating in construction projects, loans basically secured through negotiations with the World Bank and the Asian Development Bank, and loans from our government and direct investments from foreign businessmen. The total amount of these funds has exceeded 50 billion renminbi, which illustrates that a solid foundation has been laid for Pudong's development. The 50-billion renminbi fund will be used mainly for repairs and renovations of bridges and roads and the construction of infrastructures such as communications and water, power, and gas supplies. It will also be used for the development of three major development subregions and the construction of finance buildings. With the investment of these funds to complete the above projects, the Pudong's infrastructure will be preliminarily established.

In the previous two years, we welcomed everyone to take a look at New Pudong District. Now, we welcome everyone to take a look and to participate in its development. We believe that the economic efficiency of investing in Shanghai is fairly good, and we hope that everyone will come to New Pudong District and develop their own businesses.

We warmly welcome all foreign friends, various departments of the central authorities, and brother provinces and cities to come enthusiastically and, together with the Shanghai people, to participate and quicken the pace of Pudong's development, to jointly share the economic results generated through the preferential policies accorded New Pudong District, and to join hands in creating a beautiful future on this piece of land full of hope.

Ladies, gentlemen, and comrades, the Shanghai people are having more and more confidence in the prospect of Pudong's development and Shanghai's revitalization. With proper leadership of the party Central Committee and State Council; the active participation of all domestic and foreign friends, relevant departments of the central authorities, and brother provinces and cities; your warm-hearted support; and the arduous and enterprising efforts of some 13 million Shanghai people, the scene on both banks of the Pujiang will undergo fundamental changes in 20 or 30 years. Shanghai's Pudong will definitely be built into a new, foreign-oriented, multipurpose, and modern district at the world's top level. Shanghai will definitely tower majestically as a huge international metropolis of the 21st century on the west end of the Pacific Ocean.

Further on Remarks

OW1603051892 Shanghai JIEFANG RIBAO in Chinese 11 Mar 92 p 2

["Mayor Huang Ju Answers Questions Posed by Chinese and Foreign Reporters on Shanghai's Opening Up to the Outside World and Pudong's Development"]

[Text] At a news briefing held by the municipal government yesterday, Mayor Huang Ju answered questions posed by Chinese and foreign reporters on Shanghai's economic development and Pudong's development.

When the SOUTH CHINA MORNING POST's reporter enquired about Mr. Chen Yun's views on the progress of Pudong's development and its future blueprint, Huang Ju said: The older generation of revolutionaries, including Comrade Chen Yun, support the development of Shanghai and Pudong. When he received us last year he was very concerned about the progress of Pudong's development. He expressed the hope that the development and economic reinvigoration of Shanghai and Pudong, including Nanpu Bridge construction, will be further accelerated and enhanced.

When a reporter from Germany's FRANKFURTER ALLGEMEINE raised the question regarding how to

smoothly realize this grand goal of developing Pudong while the situation of making losses experienced by Shanghai's large and medium-sized enterprises has not been fundamentally reversed yet, Huang Ju said: The question you have raised is precisely what we are concerned about. Large and medium-sized enterprises in Shanghai must change their operating mechanisms and must orient toward the market and participate in market competitions; only then can we fundamentally turn over to a favorable position and get on to a wholesome track. Last year Shanghai led the nation in trying out four types of operating mechanisms and currently a total of 113 enterprise units are experimenting with them, and such experiments will be extended to 250 enterprises this year. So far, all the enterprises carrying out the experiment are making new progress. As there are nearly 1,000 units of large and medium-scaled enterprises in Shanghai, all of the experimental work needs to go through this process, especially on how to adapt reforming the labor employment system to social stability and structural readjustment. We can only gradually improve and develop the system through practice. He added: Presently, losing enterprises still exist in Shanghai; however, the general situation has been much improved compared to last year and the year before. I believe by the end of the year the situation will be further bettered as compared to the beginning of the year. Enterprises that are actually running at a loss with their unsaleable products should be closed down and should go bankrupt. In short, they should "close down, suspend operation, merge with others, or switch to making other products." I believe that Shanghai's state-run large and medium-sized enterprises will be revived and rejuvenated in the historic process of developing and reinvigorating Shanghai.

When Shanghai WEN HUI BAO's reporter asked about the method of implementing the plan of providing "one-stop style" of streamlined services for investors and the choice of a person to lead the Waigaoqiao Free Trade Zone Management Committee, Huang Ju said: Those involved in implementing the "one-stop style" of streamlined services will include the relevant commission and office. Serving also as a window for the foreign capital commission in Pudong, they are a complete set of organizations with two signboards. This organization was already there originally and is located in the new Hongqiao Building. From now on, they will have to go to Pudong to render services at fixed times every week, and they must coordinate their work. The post of director of the Waigaoqiao Free Trade Zone Management Committee will be concurrently held by the director of the Pudong Development Office, Xia Keqiang. The Management Committee will be established first and improved according to the task's requirements.

A reporter from Hong Kong's SENG WENG EVENING NEWS asked about the model of the new administrative system in the New Pudong District, and what sort of mental attitude Shanghai people should adopt. Huang Ju

said: The current "three districts, two counties" administrative system in the New Pudong District is unfavorable to the further development of the New Pudong District. Based on the work over the past two years and the financial commitments that will expire this year, it is imperative and possible for us to seek another form of administration for the future in the New Pudong District. No matter what form it will take, we must follow the principle of "rendering extensive services with a small administration," aimed at streamlining the structure and achieving high efficiency. As soon as the basic study plan is ready, we will solicit views from various quarters, and then submit it to the State Council for approval before officially implementing it. Huang Ju said: I feel that the people in Shanghai now are more dynamic and confident than ever before. In particular, the recent inspection trips to Shanghai made by comrades of the central leadership and the older generation of revolutionaries have greatly inspired us. As the whole country propels Shanghai to the forefront of reform and opening up to the outside world in the 1990's, the people in Shanghai, in the Chang Jiang Delta, and in the Chang Jiang valley are full of confidence. Nevertheless, to meet the demands of the central authorities, and the hopes of the people throughout the country, the people of Shanghai really need to further brace themselves up, further emancipate their minds, and pay greater attention and do more solid work; only then can we fulfill the historic role entrusted to us. First, the people of Shanghai must have the mental attitude of going all-out for excellence. Second, the people of Shanghai must dare to blaze new trails in the course of reform and opening up to the outside world. Third, the people of Shanghai must keep up the practice of simple living and hard struggle. At the same time, the people of Shanghai must further establish an overall concept, and change the attitude of shutting themselves up from others. In the historic course of developing Pudong, Shanghai must play a leading role in the economic development of the Chang Jiang Delta and the Chang Jiang valley; it must play a creative role in deepening reform; it must play an optimizing role in circulating the essential elements of production; and it must play a decisive role in promoting exchanges between inland areas and the coastal regions, thereby practically forming a "Chang Jiang Corridor" for the economic development of China in the 1990's, giving impetus to the economic take-off along the entire Chang Jiang valley. I believe the people of Shanghai have the will and the ability to accomplish this historic mission.

When a reporter from the NIHON KEIZAI SHIMBUN asked Mayor Huang Ju whether he intends to go overseas to publicize this magnificent plan of Pudong's development, Huang Ju said: When I was appointed the mayor of Shanghai last year my principal tasks were to do a good job in this post, and to do a good job within Shanghai in carrying out reform and opening to the outside world. Now with Pudong's development having gained such a good momentum through the concerted efforts of the people of Shanghai, I should take a trip

abroad to publicize the ambition and will of the people of Shanghai, as well the prospects for Pudong's development. If I have an opportunity to visit Japan this year, I will call on friends among Japanese press circles to give their support and show greater interest in us.

When a reporter from the HUADONG XINXI BAO (EAST CHINA INFORMATION) asked about economic relations between Shanghai and east China, Huang Ju said: In the 1990's the focal point of China's development and opening to the outside world is placed in Pudong, which already dignifies that the New Pudong District is vastly different from the other coastal regions in that Pudong is backed up by a vast hinterland along the Chang Jiang valley. Hence, the economic resources and economic structure between Shanghai and the east China provinces are complementary. This has laid a very good foundation for us to achieve common development and common prosperity, especially considering the fact that the neighboring provinces of Jiangsu, Zhejiang, Anhui, Shandong, and Jiangxi have been ahead of Shanghai in the course of reform and opening to the outside world. For example, in absorbing foreign capital, last year alone, some of these provinces approved over 1,000 units of fully or partly foreign-funded enterprises, and Shanghai should learn from them. At the same time, the rich natural resources in these provinces also provide a prop for Shanghai's development. Shanghai is prepared to serve the east China provinces and carry on business "with shops in front and factories in the rear." We welcome everyone to come and open their shops and establish their factories in Shanghai, or link up the shops with the factories, with mutual participation in equities so as to make profits together and achieve common prosperity. Let us work together in opening Pudong wider to the outside world through a grand alliance on even a larger scale, and work for greater development of the entire east China region through complementary cooperation among the various provinces along the Chang Jiang valley.

POPULATION

Population Growth in Western Regions Analyzed

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[Article by Cha Ruichuan (2686 3843 0278) and Duan Chengrong (3008 2052 2837): "Several Issues Pertaining To Population Growth In the Western Regions." The authors are affiliated with China People's University's Population Institute.]

[Text] The ultimate goal of developing the production of goods and materials and of all social activities is to satisfy to the greatest extent increasing material and cultural needs for all all citizens. When formulating

socio-economic development strategies and goals, the population's existing conditions, its change, and its development are important considerations. The population not only is the direct beneficiary of socio-economic development but the number, quality, composition, distribution, transition, and rate of increase of the population also have a direct impact on economic development. In a socio-economic development strategy, one must consider not only the population factor but must also draw up a population growth plan to purposefully and systematically control population increase and regional distribution to promote smooth socio-economic development and even higher material and cultural standards of living.

In recent years, as the study of socio-economic development strategies becomes more thorough, the study of national and regional population growth strategies has also gone deeper. On the question of population increase in the western regions* (referring to the 11 provinces and autonomous regions of Inner Mongolia, Shaanxi, Ningxia, Gansu, Qinghai, Xinjiang, Sichuan, Yunnan, Guizhou, Tibet, and Guangxi,) some comrades advocate moving more people to the regions, and some suggest that the west is not equipped to accept massive immigration. On the issue of controlling the population increase in the western regions, there are also strong disagreements among different programs and strategies.

In our opinion, the study of the western regions' population growth strategy must emphasize and resolve the following issues:

I. The West Is Not a "Vast and Sparsely Populated" Region

Overall, the 11 western provinces and autonomous regions account for 71.7 percent of the nation's total area but only 28.76 percent of the population. Based on a 1987 sample survey of 1 percent of the nation's population, total population on 1 July 1987 was 1.068 billion people (not including the People's Liberation Army); the western provinces and regions accounted for 307 million of them.

Internally, the western provinces and autonomous regions vary widely in total population (see Table 1). Sichuan, with 104 million people, has the largest population. Not only is it the most populous province in the west, but it also ranks first among all provinces and regions in the nation. Guangxi, Guizhou, Yunnan, and Shaanxi all have population of over 30 million, about the same size as the less densely-populated provinces in the eastern and central regions. Inner Mongolia and Gansu have slightly more than 20 million people. Tibet is the least populous region with less than 2.085 million people, only 1/50th Sichuan's size.

Table 1: Population and Density in the Western Provinces and Regions in 1987

Locality	Population (million)	Area (sq km)	Density (person/sq km)
Inner Mongolia	20.55	1,183,000	17
Guangxi	39.993	236,000	169
Sichuan	104.391	568,000	184
Guizhou	30.548	176,000	174
Yunnan	35.062	394,000	89
Tibet	2.085	1,220,000	2
Shaanxi	30.941	205,000	151
Gansu	20.973	454,000	46
Qinghai	4.196	724,000	6
Ningxia	4.288	66,000	65
Xinjiang	14.092	1,660,000	9
Total	307.119	6,886,000	45

The western provinces and autonomous regions not only have a small population, but a more important characteristic is the low population density. "Vast and sparsely populated" is a popular impression of the west. In 1987, the nation's population density was 111 persons per sq km, compared to 45 in the western regions—only 1/2 of the national average. Even though the western regions have vast total area, relatively small population, and low population density figures, the numbers do not tell everything. First, population density varies significantly among the provinces and autonomous regions (see Table 1.) Two, population distribution is highly concentrated, even in the low density provinces and regions. Looking at individual provinces and regions, in the southwest, with the exception of Tibet, Guangxi, Sichuan, and Guizhou have high population density which far exceeds the national average. Yunnan's population density may be lower than that of the other provinces and regions in the southwest, but it is still far higher than that of the provinces and regions in the northwest, except Shaanxi. Even Shaanxi has a population density of over 150 people per sq km. Thus, we cannot make a sweeping statement about the western regions being vast but sparsely populated; instead, we must make a distinction among the provinces and regions. Although population density figures in the above provinces and regions are lower than many in the eastern region (for example, Jiangsu has 617 people per sq km; Shandong, 517; Henan, 475; and Anhui, 378,) based on 1986 figures, they are still higher than those in the German Democratic Republic (154,) Poland (120,) Romania (97) and other East European nations, Indonesia (88,) Thailand (102,) Pakistan (123) and other Asian countries, and much higher than in the United States (26), Mexico (40), and other American nations.

Looking at the numbers alone, population density in Tibet, Qinghai, Xinjiang, and Inner Mongolia indeed appears very low. But the amount of inhabitable land in

those provinces and regions is very limited. Most of the Qinghai-Tibet Plateau is 4,000 meters above sea-level where the air is thin, and the temperature is low. Of Tibet's 1.22 million sq km of land, only 27 percent can support human life and activities. Most of the region's population is concentrated around the central valley of the Yarlung Zangbo River. At the end of 1988, of Qinghai Province's 4.215 million people, 1.003 million were living in Xining City and another 1.846 million were gathered in the eight counties in Haidong Prefecture. Population densities in those two areas were as high as 285 persons per sq km and 103 persons per sq km, respectively. These two areas accounted for 68 percent of the province's total population, and the remaining 32 counties and cities accounted for only 32 percent. Thus the low density figures are hiding many facts about the densely-populated inhabitable localities. Although overall population density in Xinjiang is only nine people per sq km, only 3-5 percent of its total area are oases suitable for human habitation. Population density in the oases is as high as 234 people per sq km, which makes it a very densely populated region.

Thus, based on population density, the western provinces and autonomous regions can be separated into two types: The inland region, including Guangxi, Sichuan, Guizhou, Yunan, and Shaanxi, which are not vast in area but are densely populated and which cannot be described as vast but sparsely populated; the other is the prairie and wilderness region, including Xinjing, Inner Mongolia, Gansu, Qinghai, and Tibet, which are large in area but small in population and can indeed be described as vast but sparsely populated. In areas more suitable for habitation, however, population density is still fairly high, and this has created a unique distribution pattern of high population concentration in scattered residential areas.

In short, in the past we always thought of the western regions as being vast and sparsely populated, but this is true only compared to China's over-populated eastern and central regions. If we look at the ecological environment of the western regions, we will see an entirely different picture. This is the starting point which we must understand well when we consider the western regions' developmental strategy and population policies.

II. Controlling Population Growth in the Western Region Is Imperative

Table 2: The Western Provinces and Autonomous Regions' Average Annual Rates of Population Increase, 1953-1987 (percent)

Locality	Year						
	53-57	58-62	63-67	68-72	73-77	78-82	83-87
Inner Mongolia	2.76	3.96	4.38	2.84	3.11	1.55	1.30
Guangxi	2.13	2.10	2.94	2.87	2.59	2.02	1.77
Sichuan	1.37	1.96	0.10	3.17	2.56	0.73	0.88
Guizhou	2.11	2.94	0.95	3.66	3.04	1.87	1.36
Yunan	2.07	2.26	1.55	3.14	2.83	1.93	1.44
Tibet	1.46	0.00	0.86	1.97	2.26	1.84	1.69
Shaanxi	1.98	3.37	2.12	2.51	2.08	1.03	1.24
Gansu	1.92	3.36	0.37	3.34	2.01	1.24	1.28
Qinghai	2.80	5.70	1.50	4.17	3.60	2.23	1.54
Ningxia	3.47	4.34	3.01	4.15	3.44	2.72	1.97
Xinjiang	3.25	3.72	4.29	4.35	3.43	2.12	1.35

Since the founding of the PRC, the 11 western provinces and autonomous regions have experienced a rapid increase in population. In the first nationwide census taken in 1953, the western regions had 163 million people; in the 1 percent sample survey taken in 1987, it has grown to 301 million people, increasing 85 percent over a 34-year period, averaging 1.8 percent per year. During the same period, the nation's population grew from 602 million to 1.068 billion, increasing 77.4 percent, averaging 1.7 percent a year. This means the western regions' population growth rates have been slightly higher than the national rate, and their population increase has kept pace with the rest of the nation.

Overall, population growth rates have been relatively low in the five southwestern provinces and regions.

Among them, Guangxi, which had the highest average annual growth rate from 1953 to 1987, only saw 2.13 percent increase; Guizhou's and Yunan's rates were slightly above 2 percent; Sichuan's and Tibet's rates were as low as 1.37 percent and 1.46 percent respectively. On the contrary, the growth rates were fairly high in the six northwestern provinces and regions. Gansu and Shaanxi which had the lowest rates still grew 1.92 percent and 1.98 percent, respectively, and the other four provinces and regions grew more than 2.7 percent; Ningxia actually grew as much as 3.47 percent.

These disparities can be explained by the fact that the population increase in the northwestern region was caused partly by natural growth but more by demographic shifts. Take Inner Mongolia for example. In the

30 years from 1949 to 1979, on top of its original population of 6.08 million, natural growth added another 7.13 million, immigrants and children of immigrants added another 5.30 million. In the 1950's, Qinghai Provinces recruited immigrants from the hinterland several times, and Xinjiang established several large military units; this also speeded up population increase. The fluctuating population growth rate over a period of time in the western provinces and regions is attributable to this type of demographic shift.

The early 1970's (1970-1975) marked the beginning of vigorous implementation of family planning, and as a result, some provinces in the eastern and central parts of China experienced a decline in the population growth rate, but the western provinces and regions remained untouched. Even Shaanxi which experienced the slowest growth maintained a 2.08 percent rate, and most of the other localities grew by more than 2.5 percent. Xinjiang, Ningxia, and Qinghai saw rates as high as 3.43 percent, 3.44 percent, and 3.60 percent, respectively. In the late 1970's, population increase began to slow down considerably in the western provinces and regions, but the rates remained fairly high compared to eastern and central China. In the nationwide struggle to control population growth, further lowering the western regions' rates remains a goal we must work harder to achieve.

III. Lowering the Birth Rate To the Replacement Level Is an Indispensable Link In the Western Region's Population Growth Strategy

A basic cause of China's rapid population increase is the very high fertility rate. Although the fertility rate among the women of Old China was fairly high, the mortality rate—especially the infant mortality rate—was also very high, and that is why the total population did not increase significantly. Since the founding of New China, the mortality rate has plummeted, but the people's procreation habits have not changed accordingly, and the result is a rapid increase in population.

From the early- and mid-1950's until the 1960's, the nation's birth rate continued to exceed 30 per 1,000 population. After entering the 1970's, in the wake of widespread promotion of family planning, the birth rate plummeted from 33.59 per 1,000 in 1970 to 17.90 per 1,000 in 1979, and it hovered around 20 per 1,000 of the population in the 1980's. During this period, birth rates dropped fairly sharply in the eastern and central regions, but the decline in the western region was slow in comparison. For example, in 1987 the nation's birth rate was 21.04 per 1,000, and in the 11 western provinces and regions, with the exception of Inner Mongolia, Sichuan, and Gansu, rates were higher than the national average (see Table 3.)

Table 3: 1987 Birth Rates and 1981 and 1987 Net Reproduction Ratios For the Nation and the Western Provinces and Regions

Locality	1987 Birth Rate (per 1,000)	Net Reproduction Ratio (persons)	
		1981	1987
National	21.04	2.61	2.59
Inner Mongolia	19.73	2.72	2.22
Guangxi	24.42	4.04	3.59
Sichuan	17.86	2.35	2.26
Guizhou	23.69	4.25	3.69
Yunan	23.97	3.86	3.20
Tibet	23.87	5.23	4.26
Shaanxi	21.60	2.32	2.97
Gansu	20.55	2.75	2.61
Qinghai	22.59	3.97	2.27
Ningxia	25.14	3.95	3.12
Xinjiang	27.31	4.18	3.75

Source: "Zhongguo Renkou Tongji Nianjian" ["China Demographic Yearbook"] 1989, compiled by the State Statistical Bureau's Census Department.

From Table 3's net reproduction ratios, we can see that, in the early 1980's, except for isolated provinces like Sichuan and Shaanxi, fertility rates among women in the western provinces and regions were generally higher than the national average, and in some cases, such as Tibet, Guizhou, Xinjiang, and Guangxi, the gap was fairly wide. Those rates have dropped significantly in all provinces and regions in recent years. This means family planning has spread to those areas and have produced results. In the more successful regions like Sichuan and Inner Mongolia, the birth rate has dropped to a level almost at that of some central provinces. Overall, however, fertility rates among women in the western regions are still fairly high. The reasons are: 1) The western provinces and regions are not as well developed economically and culturally as the eastern and central regions, and the masses have less demand for birth control. Traditional marriage and child-rearing concepts and habits are still deeply ingrained, which prevents the people from accepting state birth control policies. 2) There are fewer cities. Generally speaking, within the same province or region, women who live in cities have a lower birth rate than those who reside in the rural areas. Take Gansu for example. In 1981, the net reproduction ratio was 1.61 in the urban areas and 3.16 in the rural areas. This difference exists nationwide. For example, in 1981, the net reproduction ratio was 1.39 in the nation's cities and towns and 2.91 in the rural areas. 3) The western regions have a higher concentration of people from minority nationalities, and some of them tend to marry early and have more children. China's family planning policy is also more lenient toward minority nationalities than toward the Han people. This

is one of the reasons for the relatively high fertility rates in the western regions. For example, in 1981, the net reproduction ratio of Han nationality women in Xinjiang was 2.02 compared to 5.55 among minority nationality women, a difference of more than 2-1/2 times. This difference in fertility rates based on nationality is a unique characteristic which makes the western regions' demographic changes different from that of the eastern regions. This is also one aspect we must pay ample attention to when we consider the population factor in the western region's economic development strategy.

Considering the unique situation and the national sentiments of the minority nationalities, we must be especially careful when we implement family planning in the minority nationality regions. But the minority nationalities must also lower their birth rates and slow the population growth rate, because only then can we coordinate population growth and economic development. This principle must be given wide publicity to strike root in the hearts of the people. Lowering the birth rate to the replacement level should be an indispensable link in the western regions' developmental strategy.

IV. The Western Regions Must Give Lowering the Mortality Rate, Especially the Infant Mortality Rate, Top Priority

After liberation, as socio-economic conditions improved and medical and public health undertakings developed, the people's general health began to improve, and the mortality rate fell sharply, from 20 per 1,000 before liberation to six-seven per 1,000 in the 1980's. The western regions are no exception. The mortality rate there has dropped from over 30 per 1,000 in the old days to around eight per 1,000 today.

Even though the western regions' mortality rates have fallen sharply in the last 40 years, because there is a fairly wide gap between the western and the eastern regions when it comes to the economy, culture, science and technology, and medical and public health, they are still clearly higher than that of the eastern region. For example, Sichuan is relatively well-developed economically and culturally among the western regions and also has a fairly low mortality rate, but, compared to the entire nation, the mortality rates for all age groups are still higher than the national averages (see Table 4.) As the overall mortality rate for each province and region is an average of the mortality rates for all age groups, the low overall mortality rates in some western provinces and regions may not be due to lower death rates for all age groups but may result because there are more people in the age group which has the lower death rate, giving that group more weight.

Table 4: 1981 National and Sichuan's Mortality Rates For Different Age Groups (per 1,000)

Age Group	Nation	Sichuan
0	38.60	57.72
1-4	4.20	6.74

5-9	1.17	1.76
10-14	0.72	1.09
15-19	0.99	1.27
20-24	1.32	1.80
25-29	1.47	1.87
30-34	1.72	2.90
35-39	2.30	2.87
40-44	3.23	3.97
45-49	4.82	5.96
50-54	7.73	9.10
55-59	12.33	14.31
60-64	20.77	23.48
65-69	32.34	34.60
70-74	53.78	55.22
75-79	81.50	80.97*
80-84	134.24	
85-89	191.98	
90+	273.15	

*this figure is the mortality rate for ages 75 and older (75+ group.)

The western provinces and regions' fairly high mortality rates are highlighted even more by their high infant mortality rates (infant mortality rate refers to death per 1,000 new-born babies before they reach one year of age.) For example, the 1983 infant mortality rate was 13.6 per 1,000 in 28 cities, including Beijing, and 26.5 per 1,000 in 58 counties in 12 other provinces and municipalities, including Shanghai and Jiangsu. Meanwhile, the 1981 infant mortality rate in Sichuan was as high as 45.39 per thousand—specifically, 33.46 per 1,000 newborns in the cities and towns and 46.60 per 1,000 newborns in the counties. If the mortality rate is to further decline in the future, first, we must lower the infant mortality rate and reduce the number of deaths caused by diseases from outside sources. Improving public health conditions, raising medical care standards, and improving personal health and sanitation conditions will be a permanent strategic task. Of course, economic growth is the material base for accomplishing this task, but in formulating the developmental strategies, we cannot ignore this aspect, and we must give equal weight or even give priority to this issue when planning and arranging for the necessary investments, equipment, and personnel.

V. Provide For Rainy Days: Prepare Ourselves For an Aging Society

The age composition (that is, each age group as a percentage of the total population) of a region's population is the result of natural demographic changes (birth and death) and migration, and it in turn has an important impact on the regions' socio-economic activities and population growth. A small proportion of young children and juveniles is usually the result of birth control, which

in turn leads to a relatively large proportion of elderly people—an aging population. Too large a proportion of young children and juveniles will generate employment pressure before too long and will lead to peak marriage and birth rates. It will also mean that the proportion of young children and juveniles will remain high in the future.

In the 1950's and 1960's, China's population was relatively young. A 1953 census showed that the 0-14

age-group constituted 36.3 percent, the 15-64 group 59.3 percent, and the 65-plus group 4.4 percent of the population. The population grew even younger in 1964 as the proportion of young children and juveniles showed a slight increase. In the 1982 census, the 0-14 age group declined sharply, and the proportion of elderly people increased somewhat. The western provinces and regions' population, however, remains fairly young in terms of age composition (see Table 5.)

Table 5: Population Composition of the Western Provinces and Regions in 1982 and 1987 (percent)

	1982			1987			1982 Breakdown		
	0-14	15-64	65+	0-14	15-64	65+	0-14	5-9	10-14
Nation	33.59	61.51	4.91	28.76	65.76	5.48	9.43	11.03	13.13
Inner Mongolia	35.52	60.88	3.61	30.82	65.50	3.68	10.33	11.69	13.50
Guangxi	37.45	57.45	5.12	34.44	59.74	5.82	12.09	12.49	12.87
Sichuan	34.38	60.94	4.68	26.53	58.07	5.40	7.00	12.64	14.74
Guizhou	40.88	54.44	4.67	35.48	59.73	4.79	11.67	14.95	14.26
Yunan	39.18	56.33	4.49	34.13	60.96	4.91	11.69	13.80	13.69
Tibet	36.61	58.79	4.59	36.74	59.21	4.05	12.49	11.97	12.15
Shaanxi	33.06	62.37	4.58	29.02	65.96	5.02	8.99	10.83	13.24
Gansu	36.32	60.19	3.49	29.75	66.30	3.95	9.17	11.70	15.45
Qinghai	40.56	56.73	2.70	35.76	60.85	3.39	11.89	13.84	14.83
Ningxia	41.26	55.55	3.19	36.38	59.89	3.72	13.10	14.01	14.15
Xinjiang	39.56	56.76	3.67	35.28	60.83	3.89	11.74	13.99	13.83
Hebei	30.80	63.54	5.66	28.25	66.18	5.57	9.95	9.03	11.82
Liaoning	28.71	66.47	4.80	24.16	70.55	5.29	8.91	8.44	11.36
Shanghai	18.16	74.41	7.42	18.36	73.14	8.50	6.58	5.08	6.50
Jiangsu	28.98	65.48	5.54	22.15	71.03	6.82	8.01	8.44	12.53
Hubei	32.71	62.29	5.00	28.18	66.35	5.47	9.31	9.95	13.45

Source: "China Demographic Yearbook" 1988

It is obvious from Table 5 that, in 1982, 10 years after the vigorous promotion of birth control began, the 11 western provinces and regions, except for Shaanxi, had a larger proportion of young children and juveniles than the national average, and, except for Guangxi, they also have a lower percentage of elderly people than the national average. Compared to some provinces and municipalities in the eastern and central regions, the difference is even more striking. Because of the large proportion of young children and juveniles, the proportion of young and mature adults (15-64 years old) is relatively small: In the 11 provinces and regions, they make up less than 60 percent of the population, and in Guizhou where the proportion is lowest, they make up only 54.44 percent. This has resulted in excess burdens for the working-age group of the population. For example, Guizhou's burden coefficient is as high as 83.67 percent, compared to Liaoning's 50.41 percent. Thus, the youthful makeup of the western regions' population has turned out to be a burden to the working-age group.

Comparing 1987's figures to 1982's figures, we can see that except for Tibet, the proportion of young children and juveniles in the western provinces and regions has clearly declined and the proportion of elderly people has increased; correspondingly, the proportion of young and mature adults has also clearly increased. This is a positive developmental trend and is the result of family planning and efforts to control population increase. Yet compared to the eastern and central regions, the gap is still fairly wide, and we must still work harder.

A lower fertility rate and slower rate of population increase will naturally lead to a smaller proportion of young children and juveniles and a larger proportion of elderly people—an aging population. This is an inevitable trend in the development of human societies. In some economically developed nations, this is a spontaneous process. In China and other developing nations that are implementing family planning and population growth control, aging of the population is also inevitable. Population aging does not mean an increase in the

number of old people; rather, it refers to a higher ratio of old people relative to young and mature adults, which lead to the issue of redistribution of society's wealth. From the family perspective, it raises the question of financial support as a result of the change in the ratio between parents and children. Although today the western regions' population has not begun aging yet (generally when the 65 and older group makes up more than 7 percent of the population, the entire population is considered to be aging,) the trend is obvious; it is just a matter of time. Thus, when we formulate the western region's developmental strategy today, we must put this issue on the agenda and formulate proper countermeasures.

VI. Integrate the Development of Basic Education With the Absorption of Senior Scientists and Technical Personnel, With the Emphasis on Developing Basic Education

A population's cultural and educational standards are a major aspect that reflects the population's overall quality. Cultural and education standards reflect the extent of socio-economic development but in turn are important preconditions for further developments. China's overall cultural and educational standards are fairly low, and, compared to the rest of the country, the western region can be considered backward. One basic indicator of a population's cultural and education standards is the illiteracy rate. The illiteracy rates in most western provinces and regions are higher than the nation's average (see Table 6.) Generally speaking, the western regions' illiteracy rates are high, but there are significant differences among the provinces and regions—Guangxi, Xinjiang, Inner Mongolia, and Sichuan are lower than or close to the national average (Shaanxi is slightly higher than the national average,) and the other six provinces and regions' illiteracy rates are alarmingly high. Tibet, especially, has an illiteracy rate of more than 70 percent. Decisive measures must be taken to steadfastly turn this situation around.

Table 6: Illiteracy Rates in the Western Provinces and Regions in 1982 and 1987 (percent)*

Locality	1982	1987
National	31.87	26.77
Inner Mongolia	31.08	23.34
Guangxi	24.96	22.65
Sichuan	31.96	26.17
Guizhou	47.88	40.45
Yunan	49.26	42.89
Tibet	73.16	70.17
Shaanxi	33.21	28.96
Gansu	48.05	43.92
Qinghai	46.81	51.61
Ningxia	43.04	35.49
Xinjiang	30.72	21.20
Hebei	29.55	24.89
Liaoning	16.58	13.15
Jiangsu	34.63	27.62
Hubei	31.12	24.97

* Illiteracy and semi-illiteracy among people 12 years and older as a percentage of the total population.

Source: "China Demographic Yearbook" 1988, and "1987 One Percent Sample Census in China (National Edition)"

Comparing 1987 to 1982, except for Qinghai Province, illiteracy rates in all other regions have dropped by a measurable amount, and this means the situation is improving. Of course this is mainly because the older people who cannot read are slowing dropping out of the scene while more and more children today can read and write. Today, the most crucial thing to do is to prevent any new illiteracy while eliminating existing illiteracy (which is very difficult). This should be the education department's most fundamental task.

Table 7: The Western Provinces and Regions' Population With Various Levels of Education As a Percentage of Their Total Population in 1982 (per 1,000)

Locality	College Graduate	Some College Education	Senior Middle School	Junior Middle School	Elementary School
Nation	4.5	1.6	66.3	177.5	353.8
Inner Mongolia	4.2	1.3	76.1	192.0	328.5
Guangxi	4.6	1.0	65.3	156.5	386.8
Sichuan	3.2	1.2	39.4	154.7	414.9
Guizhou	3.0	0.8	29.6	113.4	287.3
Yunan	2.6	0.9	27.8	101.7	293.4
Tibet	4.4	0.4	12.6	35.0	161.2
Shaanxi	6.2	2.4	78.7	195.3	326.5
Gansu	4.5	1.1	63.4	121.9	276.0
Qinghai	6.6	1.5	51.6	138.5	259.2
Ningxia	5.0	1.5	50.0	156.1	254.2

Table 7: The Western Provinces and Regions' Population With Various Levels of Education As a Percentage of Their Total Population in 1982 (per 1,000) (Continued)

Locality	College Graduate	Some College Education	Senior Middle School	Junior Middle School	Elementary School
Xinjiang	5.0	1.7	66.1	175.0	337.3
Hebei	3.5	1.0	75.4	192.5	363.3
Liaoning	7.4	2.9	93.8	276.3	356.2
Jiangsu	4.7	1.7	69.0	200.6	326.3
Hubei	4.4	1.9	75.1	186.3	357.0

Source: "China Demographic Yearbook (1988)"

Among people who have attended school, the proportions of people with different levels of education in the western regions are approximately the same as those in provinces in the rest of the country (see Table 7.) The proportion of people with elementary and junior middle school education in the western regions, except for a few provinces and regions, is below the national average and is clearly lower than in some provinces in the eastern and central parts of the country. This is only logical, because the western provinces and regions have higher illiteracy rates, and they naturally will have fewer people with elementary and junior middle school education. Yet, in six western provinces and regions, the proportion of college graduates is actually higher than the national average. In particular, six out of 1,000 people in Xinjiang and Ningxia and as many as 6.6 out of 1,000 in Qinghai are college graduates. This is way out of line with their stunning 40-50 percent illiteracy rates. This may be due to the fact that some science and technology projects and factories and facilities set up by the state have attracted many well-educated people to the area. These people are not native to the area and have no real ties to the local people, who typically have low cultural and educational standards, and therefore they do not accurately reflect the educational and cultural standards of the area. Only if the illiteracy rate is sharply lowered and the number of people receiving elementary and middle school education is steadily increased can it truly reflect a rise in the western regions' cultural and educational standards. To raise the local cultural and educational standards, the local people must make new blood rather than wait for a transfusion—they must depend on themselves rather than on outside help. Of course it is necessary to attract some highly qualified people, but it is also essential to take advantage of these well-educated people to train local talent. Thus, for the western provinces and regions, especially those with high illiteracy rates and which have low proportions of people with elementary and middle school education, the emphasis in developing education should be put on strengthening basic education.

The western regions already have a shortage of scientists and technicians and must not lose what they now have. In 1985, on average, there were only 68 scientists and technicians for every 10,000 people. This came to 91.7 percent of the national average and 76.9 percent of the eastern region's standard. Since the restructuring of the economic system, emigration of professionals from the

left for reasons other than "work assignment." This has a very adverse effect on the regions' economy and on the effort to raise cultural and educational standards. Not only that, but each year many top high school graduates are moving to the eastern and central regions to further their education. This could have been a good thing, except few have returned to the west upon graduation. This not only does not help the west train people but actually adds to the brain-drain. To turn this situation around, decisive measures must be taken to provide even better jobs and better living conditions for the scientists and technical personnel to entice them to return to their hometown, put their knowledge and wisdom to work there, and contribute to the regions' development. In the course of developing the western regions, every effort must be made to improve the population's cultural quality. Thus, it is imperative that we make it our strategy to develop basic education and entice highly qualified talents to return to the western regions.

AGRICULTURE

University Awards Professorships to Agrotechnicians

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[Text] Beijing, March 12 (XINHUA)—Lan Linwang and seven other outstanding agrotechnicians have been granted professorship recently at the Beijing Agricultural University. They are China's first group of professors in this field.

Li Jinyu and Mei Ruhong among them were honored with full professorships while five others were granted associate professorships.

These intellectuals, who are considered to have proper theories and approaches to the teaching of agrotechnics to farmers, have made achievements mainly in helping farmers to improve their per unit wheat and corn production.

The aim of awarding the professorships, according to the appraisal meeting, was to establish a high-level contingent for popularizing advanced agricultural techniques and to encourage teaching and research in the forefront of agricultural production.

Article Stresses Social Science Studies

HK1003063692 Beijing QIUSHI in Chinese No 1,
1 Jan 92 pp 5-9

["Boost Philosophy and Other Social Sciences, Serve Building Socialism With Chinese Characteristics—Comrade Nie Dajiang (5119 1129 3068) Answers QIUSHI Reporter's Questions"]

[Text] Recently, a national work conference on the Eighth Five-Year Program for Philosophy and Social Sciences was held in Beijing. This was an important meeting in social science circles. While the conference was under way, our reporter interviewed Comrade Nie Dajiang, deputy head of the leading group for the National Program for Philosophy and Other Social Sciences and deputy head of the Propaganda Department of the CPC Central Committee, on issues concerning ways to boost philosophy and other social sciences and give full play to its important role in socialist construction. He gladly briefed this reporter on the conference and questions.

Question: The 1990s is a critical time in China's socialist modernization and there is no doubt that the task of conducting studies in philosophy and other social sciences is a very arduous one. During the Eighth Five-Year Plan period, what is the major task in studying philosophy and other social sciences?

Answer: Philosophy and other social sciences are an important front under the leadership of our party, and it has been a fine tradition of our party that we attach great importance to studies in philosophy and other social sciences. Given the current international and domestic situation, the Chinese people's great practice of building socialism with Chinese characteristics urgently requires a new growth and development in philosophy and other social sciences, requires us to do well in the studies in philosophy and social sciences, and to give full play to its role in socialist modernization.

Theory stems from practice and serves practice. At the present stage, a basic task of philosophy and other social sciences is, under the guidance of Marxism and closely around the theme of building socialism with Chinese characteristics, to study from many aspects and angles its practical and theoretical issues related to economics, politics, and culture, so as to provide this great practice with powerful theoretical guidance, an effective basis for decisionmaking, and a favorable environment for public opinion. According to the requirements of this basic task, during the Eighth Five-Year Plan period, studies in philosophy and other social sciences should follow the basic line of "one center, two basic points"; concentrate efforts on serving the central task of economic construction; serve the work of further deepening reform of the economic structure and opening wider to the outside world; serve the work of steadily promoting reform of the political structure and building socialist democratic politics; and serve the work of upholding the four cardinal principles and opposing bourgeois liberalization.

At the same time, it must actively participate in the building of socialist civilization, strengthen studies in the basic theory of Marxism, and strengthen studies into the issue of opposing peaceful evolution and international issues. We must take these studies as the focal point, take studies in developing and deepening the building of socialism with Chinese characteristics as the main direction, and use these studies to promote studies in different sectors and disciplines so as to promote prosperity in social sciences as a whole in the course of serving modernization and reform and opening up.

When meeting delegates to the national work conference for planning philosophy and other social sciences and delegates to a Chinese Academy of Social Sciences work meeting, Comrade Jiang Zemin pointed out that our party has attached great importance all along to the development of philosophy and other social sciences. Workers in social sciences must apply the Marxist world outlook and methodology to their studies; further summarize in terms of theory the specific contents of the socialist path with Chinese characteristics; probe various major theoretical and practical issues in the course of building socialist economy, politics, and culture with Chinese characteristics; examine and analyze international issues under a complicated and changeable world situation; and serve socialist modernization and reform. He further said that like other sectors, philosophy and other social science circles had, since the founding of the New China, made useful contributions to our socialist construction and reforms. He hoped that everyone would devote more efforts and study hard so as to make greater contributions, as well as adding splendor, to the building of socialism with Chinese characteristics. Comrade Jiang Zemin's remarks have shown the development direction for the philosophy and social sciences front and indicates that the party Central Committee pins high hopes on us, that is, philosophy and other social sciences workers. This is great encouragement for philosophy and social sciences workers. We should inspire our revolutionary enthusiasm, be united as one, work in an innovative and progressive manner, and work hard to realize the glorious task entrusted by the party and the people.

Question: How should one understand the significance of working out the Eighth Five-Year Plan for philosophy and other social sciences?

Answer: The National Eighth Five-Year Program for Philosophy and Social Sciences has been formulated according to the requirements of the Eighth Five-Year Plan for National Economic and Social Development. Strictly speaking, the national program for philosophy and other social sciences is only a program of major topics. In formulating this program, the state has divided the disciplines of philosophy and other social sciences by topics, allocated a certain amount of funds to aid projects by inviting tenders, and systematically organized philosophy and other social science workers to conduct their studies so as to achieve results at a rather high level. This is a good form and good way to give play

to the role of philosophy and social sciences in terms of guidance, education, consultation, and combat.

The eighth five-year program of major topics on philosophy and other social sciences has been formulated under the new situation. It is significant in many aspects. Primarily, since China's socialist modernization is at its critical stage, we need to solve many major practical problems when we realize the strategic goals of the second step and lay a solid foundation for realizing the strategic goals in the third step. By formulating the eight five-year program of major topics and clarifying the issues that we need to study, we can concentrate our efforts on forming a force to tackle tough issues; work out measures, proposals, and methods to solve problems; and make policy decisions more scientific and democratic, thereby ensuring that the goals of modernization will be realized. Judging from the international situation, the international communist movement is at a low ebb and the socialist system is facing trials while various contradictions in the international area are getting complicated. By formulating the eighth five-year program of major topics, systematically studying various major international issues, and exploring the issue of opposing peaceful evolution, we can understand the world better, understand the laws governing the development of human society, and handle our relations with other countries well thereby developing a favorable international environment for us to handle our internal affairs well. Furthermore, in the development of philosophy and other social sciences, doing a good job of the program will not only enable us to organize our contingents and allow philosophy and other social sciences to play their proper roles in modernization, reform, and opening up, but to also use the studies of major topics to promote development in different disciplines and support the development of new and frontier disciplines.

It should be confirmed that there has been a great development in our philosophy and other social sciences following the Third Plenary Session of the 11th CPC Central Committee and that this is related to our systematic and planned studies in social sciences, particularly, studies in major projects. Under the new historical conditions, philosophy and other social sciences face multifaceted and deep-seated problems. We can solve multifaceted problems only when we conduct studies in various disciplines and can only find solutions to deep-seated problems by relying on in-depth investigation. Therefore, it is of great importance to formulate and implement the eighth five-year program of major topics on philosophy and other social sciences.

Question: How should we persist in taking Marxism as a guide and ensure that philosophy and other social sciences develop in a healthy direction?

Answer: Marxism is the guiding ideology of our party and state. As the most brilliant result of the ideological development of mankind, it provides us with a scientific world outlook and a methodology for our studies in social sciences. When we persist in taking Marxism as

our guide, both our society and the social sciences will make progress. However, when we ignore or discard the guiding role of Marxism, not only will it be difficult for social sciences to find a correct development direction, but theoretical chaos will also bring about chaos in people's thinking and could thus lead to economic crisis and social turbulence. We should draw lessons from other countries' mistakes and we should always have a sober-minded understanding of this.

In upholding the guiding role of Marxism in the study of social sciences, we should apply the stand, viewpoints, and methods of Marxism to study China's realities and the world's. We should not only investigate in depth the laws governing socialist modernization, reform, and opening up and sum up our new experiences in socialism, but we should also strive to assimilate all the results of man's civilization, including positive results made in the study of social sciences by other countries, make new theoretical summations and use them to guide our great practice of building socialism with Chinese characteristics. Therefore, it is necessary to require those personnel who undertake studies in social sciences to earnestly study and work hard to master the ideological weapons of Marxism and work hard to examine and analyze problems by using Marxist world outlook and methodology and serve the people and socialism.

In order to develop studies in social sciences in a healthy direction, we must also implement the principle of "letting a hundred flowers blossom and a hundred schools of thought contend" under the guidance of Marxism. We must encourage different academic viewpoints to contend with each other so as to form a favorable atmosphere of taking the national situation as the basis, respecting facts, obeying the truth, encouraging discussions on the basis of equality, and encouraging comradely criticism and self-criticism. With respect to obviously erroneous viewpoints, Marxists should carry forward their fine tradition of criticism and combat and should analyze such viewpoints with a scientific attitude and in a convincing manner. With respect to the rights and wrongs of academic viewpoints, we should respect the practice and submit the viewpoints to the test of practice so as to reach a consensus in practice. The principle of "letting a hundred flowers blossom and a hundred schools of thought contend" carries a distinct practical element of socialism and is a principle for boosting socialist scientific and cultural undertakings. Under the prerequisite of upholding the four cardinal principles, we must strive to develop a lively atmosphere of emancipating the mind and conducting bold explorations. Only thus can we achieve high-quality results in our studies of philosophy and other social sciences and can our philosophy and social sciences develop in the correct and healthy direction.

Question: What are the principles for formulating the national eighth five-year program of major topics on philosophy and other social sciences?

Answer: Some 300 topics in 21 disciplines were considered for the national eighth five-year program of major topics on philosophy and other social sciences. These topics were determined according to the principle of "upholding the direction, acting according to our capability, making overall arrangements and taking several aspects into consideration, stressing the main points, and developing in a coordinated manner."

To uphold direction means that we should uphold the guidance of Marxism, uphold the basic party line of "one center, two basic points," and serve the people and socialism.

To act according to our capability means that the amount and scale of our topics should tally with the scientific research forces and financial resources that can be thrown into scientific studies so as to ensure the quality and results of the topics. According to our experiences in implementing the Sixth Five-Year Plan and the Seventh Five-Year Plan, we need to reduce scale in the Eighth Five-Year Plan so as to concentrate our efforts, appropriately increase investment strength, and ensure the main points.

To make overall arrangements and take several aspects into consideration means that we should take into consideration studies in basic theory and applications; studies in history and culture; studies of practical problems; studies of domestic issues and international issues; and studies of traditional disciplines and newly developed disciplines. We should appropriately fill in the gaps in various disciplines and support new and frontier disciplines, as well as disciplines that overlap. Considering that the present situation of development in modern science is a combination of high-level division and high-level integration, we have added the topic of "miscellaneous" studies and the category of "party history and party building" has been added to strengthen the building of the party.

To stress the main points means that we should gear to the needs of modernization, give prominent stress to applied studies and studies of major practical issues, and take the theory and practice of building socialism with Chinese characteristics as the main direction of studies. Among those major topics tentatively determined, 77 percent are studies in practical issues, including 38 percent which are studies concerning the theory and practice of building socialism with Chinese characteristics.

To develop in a coordinated manner means that we should strengthen the links, inspection, and management of studies concerning major topics. In particular, we must arrange forces from various sectors and make concerted efforts to jointly tackle certain major comprehensive topics. Also, we should do our best to avoid through coordination low-level or duplicated ones.

To sum up, the topics, which have been determined according to this principle, will be rational and feasible ones as they include the main points and direction of the

studies, have taken into consideration the comprehensive development of various disciplines, and will be further perfected after revision by experts and scholars attending the national work conference on the eighth five-year program of philosophy and other social sciences.

Question: What measures should be taken to strengthen the contingents of workers undertaking studies in philosophy and other social sciences?

Answer: Our philosophy and other social sciences workers are mainly distributed among five systems: social science academies; institutions of high learning; party schools; the Army; and some research institutes in party and government organizations. Over the past 10 years or so, the workers have actively done well in their jobs and have made remarkable achievements. They have made significant contributions to socialist modernizations and to the reform and opening up undertaking, their achievements have been confirmed, and they are trusted by the party and the people. Nevertheless, we must also realize that in different areas, the political, theoretical, and professional quality of our workers are incapable of handling the arduous tasks they are undertaking. After the elderly comrades gradually leave their posts, there will be the problem of a successor shortage, in particular, a shortage of leaders in various disciplines will become more prominent. In order to solve the problems and to strengthen the contingent of workers undertaking studies in social sciences, at present, I hold that we should stress:

On the one hand, we must guide and make arrangements for workers in social sciences to seriously study the basic principle of Marxism-Leninism-Mao Zedong Thought and make them good at observing and analyzing various social problems by using the Marxist standpoint, viewpoint, and methods. Some young comrades need to make up for their lessons, while middle-aged and elderly comrades also face the issue of studying again according to the new situation.

On the other hand, we should make arrangements for workers, particularly young comrades, who have undertaken social science studies to go into reality through manifold forms and channels so as to help them understand the national situation and master basic skills for conducting investigations and studies.

We must organize teams to study topics according to the principle of combining the old, the middle-aged, and the young, so that scientists of the older generation can pass on their skills and help and encourage younger ones. We must assign duties of professional work to some outstanding young and middle-aged workers who have received training and stood tests and should support them to undertake certain major projects and tasks so as to help them quickly become the core of studies and leaders of various disciplines.

We must widen our field of vision and pay attention to discovering, selecting, and promoting research personnel

who have gained practical experience in other fronts so as to replenish and augment the contingents of workers undertaking studies in social sciences.

What is worth stressing in particular is that in strengthening the contingent of workers undertaking studies in social sciences, we must attach great importance to the cultivation of outstandingly qualified personnel straddling the next century. This is a major event of strategic significance. We must seriously make explorations, continuously sum up our experiences, and find a successful way for a socialist country to cultivate young, qualified personnel undertaking studies in social sciences.

Question: In studying philosophy and other social sciences, one must establish and carry forward a healthy style of study. What major issues do you think we should settle at present?

Answer: To establish a healthy style of study is an important aspect of strengthening the contingent of workers undertaking studies in philosophy and other social sciences, as well as a major factor ensuring that we get high-quality results in studies and that the social sciences accomplish important historical tasks.

In China's long-term revolutionary practice, as well as in its practice of construction, a number of workers have emerged who have made remarkable contributions to social sciences. They not only had a very high-level of theoretical quality and cultural quality, but also had the spirit of integrating theory with practice and pursuing their studies in a down-to-earth and strict manner. At present, many comrades have carried forward this spirit. Nevertheless, it is undeniable that there are many problems in the current style of study and that attitudes to learning are worth paying attention to. For example, there is a style of not being willing to go into reality; dodging practical problems; being content with the practice of hotchpotch or divorcing oneself from reality and acting blindly; the style of having half-baked knowledge but using copied hackneyed expressions; borrowing jargons from the West to produce a "shock effect" and scare others; and so forth. If we allow these unhealthy styles of study to develop in their own course, the development of our studies in social sciences will go astray.

The key to establishing and carrying forward a healthy style of study is that we must help social sciences workers consciously understand their historical tasks under the current situation in China and in the world and help them do credit to the motherland by achieving top-quality results in their studies. We must guide workers in social sciences to thoroughly understand that studies in social sciences are a kind of highly arduous mental labor that allows not a trace of superficial work or tricks so as to consolidate and establish an awareness that in conducting studies in social sciences, one must base himself on the national situation, respect facts, be bold in exploring and making innovations, and accord with the truth.

At the same time, relevant departments in the party and the government should also strengthen their contacts with the social science circle, frequently exchange information with the circle, put forward new topics of study, make things convenient for workers of social sciences in respect of going into reality, be good at applying the results of social science studies in their decisionmaking processes, and formulate policies and systems to reward scientific research personnel who have made outstanding contributions in studies of major practical issues.

QIUSHI on Study of Socialist Values

HK1303030092 Beijing QIUSHI in Chinese No 2, 16 Jan 92 pp 27-30

[Article by Wang Ruisheng (3769 6904 3932): "Pay Attention to Study of Socialist Values"]

[Text]

The Necessity of Studying Socialist Values

We should study laws governing the development of both socialism and socialist values. These are all essential for developing the proletarian cause. All social laws (including those governing the development of socialism) are laws that govern people's activities. People should guide themselves in their activities with knowledge of these laws (theory) and the aims which dictate these activities contain in themselves some orientation in value. Marxist theory has not only brought to light the objective law that capitalism will inevitably be transformed into socialism, but also the values of socialist system (and its higher development—communism) to the proletariat and the working people. It should be known that socialism needs to be conscientiously strived for, built, and safeguarded by people. If the masses of the people do not feel that socialism is valuable to them (this is, perhaps, because we have not done a fine job in the work of education, or because flaws in some specific links in the economic structure and superstructure prevent them from understanding), how can they dash ahead to strive for and safeguard socialism regardless of their own safety? The law of socialism is a question of "true," and the value of socialism is a question of "good." To develop and safeguard socialism needs both "truth" and "good." Truth and value are not opposed to each other but are in unity, and value is based on truth. The combination of the two will help us master the inevitable in the struggle for socialism, win freedom, and make us firmer in our conviction in the cause of socialism and never waver.

Understanding Socialist Values

Socialism refers to a theory (doctrine) and movement and a social system. When socialism is raised by thinkers as only a theory, it generally refers to a kind of social ideal aimed at overcoming the actual shortcomings of capitalism. The ideal is realized by the realistic socialist movement that wipes out existing conditions. Ideal and movement, in the final analysis, take as their end-results

the establishment of an advanced social system higher than capitalism—the socialist and communist system. In this sense, the value of socialism is the value of socialist system (including its higher stage, communism).

How should we understand the values of socialism?

Value is the attribute of an object satisfying the need of a subject. It forms and exists in the given relationship between the object and the subject. The so-called values of socialism refer to the significance socialism, as the object, has for the subject (people) and the needs of the subject it can satisfy.

If our examination of the values of socialism takes mankind as the subject, then the values of socialism lie in making people advance from the realm of necessity to the realm of freedom and realizing the emancipation of the mankind.

The history of mankind is the history of constantly realizing self-emancipation. Since the start of its history, mankind has realized emancipation of a certain nature—men have raised themselves up from the rest of animals in terms of relations of species through ordinary production practices; mankind is now striving for emancipation of another nature—raising men from the rest of animals in terms of social relations. The first kind of emancipation started the history of mankind, but it was only the pre-historical period of human society. Its end, and the achievement of genuine survival conditions for men, depend on the emancipation of the second kind.

The attainment of this kind of emancipation remains to date the greatest need of mankind. This need has arisen from the practice of mankind to reform nature and society, and can only be satisfied through this practice. And the satisfaction of this need of mankind by practice is accomplished through the establishment of the system of socialism (communism). As is known to all, in the final analysis, the reason for mankind still staying in “the pre-historical period” is that productive forces did not develop enough. In remote antiquity, poor productive forces made people obey the power of the nature like livestock. In changing the situation, mankind, who had moved out of the barbarous period, developed an old style division of labor, set up the system of private ownership and rule by class, and allowed the relation of commodities and money to dictate the social lives of mankind. The more mankind relies on these means to develop socialized productive forces, the more the intrinsic power of people will change these objects into alien forces that rule them. This then makes survival conditions of mankind in social relations almost the same with that of animals. Are the “natural conditions” (where people treat each other as wolves do) as described by Thomas Hobbes a reflection of capitalist free competition? The aforementioned situation can only come to its final end when social productive forces in capitalist society rise up against bourgeois private ownership and, through some form of social revolution, make the society possess the means of production. At this time, because

the rule over producers by the relation of commodities and money is eliminated, the state of anarchy inside social production is replaced by planned and conscientious organization, and the struggle for survival stops. Then people, in a sense, will finally break away from the world of animals, and enter the genuine conditions of survival for mankind from the conditions of survival of animals. “Only from this time onward, people will conscientiously make their own history; only from this time onward, the social factors made effective by people can achieve the results expected of them in major aspects and growing degrees. This is a leap of mankind from the realm of necessity to the realm of freedom.” (*Selected Works of Marx and Engels*, vol 3, p 323) From now on, comes the second emancipation of mankind. The value of socialism to the mankind precisely lie here.

If examination of the values of socialism takes the proletariat as the subject, then, socialist values precisely lie in the elimination of exploitation of surplus value by capitalism and the realization of emancipation of the proletariat. The essential characteristics of the socialist system in terms of economy is the social ownership of the means of production. Since the appearance of the capitalist production mode in history, and along with the exposure of the contradictions inherent in this production mode, the social ownership of the means of production as the ideal of the future appeared faintly in the minds of the people who stood at the forefront of the trend of the times. Only Marxist scientific socialism, however, proves this from the angle of the objective law of history and points out that this move means the elimination of one class and the emancipation of another.

The emancipation of the whole mankind and the emancipation of the proletariat are integrated. One fundamental condition for mankind to enter the realm of freedom from the realm of necessity is the elimination of bourgeois private ownership and its exploitation, which means the emancipation of the proletariat. Conversely, as capitalist exploitation is the last form of exploitation in human society, the elimination of this exploitation will inevitably bring the emancipation of the whole of mankind.

When class antagonism still exists in the world, however, the emancipation of all mankind can be talked about only after wiping out capitalist exploitation and emancipating the proletariat. Without mentioning the emancipation of the proletariat, abstract talk about the values of socialism lying in the emancipation of all mankind is illusory and unrealistic. The shortcomings of utopian socialists precisely lie there. Engels once said: Negation of communism as a purely factional theory of the working class, regarding it as a theory with the ultimate aim to emancipate the whole society, including capitalists, from the existing narrow confinement, “this is correct in the abstract sense, but is not only not beneficial but also worse in many cases in practice.” Because

"the propertied class not only feels no need for emancipation, but also oppose strongly the self-emancipation of the working class." (Ibid vol 4, p 276)

When class and class struggle still exist in human society, the realistic subject of socialist values can only be the proletariat rather than all mankind. If, before the birth of scientific socialism, utopian socialists, out of their naivete in theory, did not know how to distinguish proletarians as an independent class from the capitalists, did not know that the subject of socialist values was the proletariat, and mistook it as all people including the bourgeoisie, and wanted to emancipate the whole mankind at once, then some "socialists," not necessarily for the reason of naivete, still regard the subject of socialist values as "all people" in a class society. They said: "the goal of... democratic socialism is to liberate all people from various forms of economic, spiritual, and political yokes." (*Collection of International Documents of the Socialist Party*, p 8) If the subject of value is "all people", then the value can only be abstract things that apply to all people: "freedom, justice and unity". (Ibid., p 504) In fact, in a society of class confrontation, such abstract values do not exist. Take freedom as an example. As far as the bourgeoisie is concerned, its most basic right of freedom is to exploit surplus value, for without it there would be no bourgeoisie. For the proletarian class, the most fundamental right of freedom it strives for is to break away from the exploitation of capital, and the realization of this freedom is precisely the elimination of the bourgeois as a class. There are such "socialists", however, who openly advocate raising the bourgeois right of freedom to "socialist values." The subject of such "socialist values" can only be the bourgeoisie, but not the proletariat, and its actual content is no more than changing the values of socialism into their opposite—the capitalist values.

Realization of Socialist Values

It is a long process from the establishment of the socialist system to its complete maturity and onto the higher stage of communism. Therefore, the realization of its values is also naturally a long process which includes many stages. A theoretical question meriting attention is study of how to realize the values of socialism and conditions for their realization.

It is first necessary to study the relation between socialist values and its material base.

Scientific socialism, by dissecting the mode of capitalist production, has not only exposed its nature of exploitation and the inevitability of its demise, but also scientifically explored the values of socialism and the material base for their realization. This is a fundamental difference between scientific socialism and utopian socialism that confines itself to vehement opposition to exploitation without knowing how to place socialism on a realistic, i.e., material base.

These two aspects, the values of socialism and their material base, in essence reflect the relation between

socialist production relations and productive forces. The fundamental characteristics of socialist production relations is to eliminate capitalist private ownership and its exploitation through the ownership of the means of production by the society. Total repudiation of socialist public ownership means repudiation of the fundamental value of socialism. Without the necessary productive forces, there will be no guarantee for the full play of the advantages of socialist production relations, and its value cannot be realized in full. In every stage of the historical development of socialism, some of the values of socialism can be realized while others still cannot for the time being, but their final completion needs a relatively long time. All this relates to restrictions by the material base to the realization of the value of socialism. For instance, at the current stage, the content of the value of socialism, such as more rational distribution and common prosperity, can be realized step by step. The elimination of class exploitation, though basically realized, will still take a long time for its final completion. As for the complete elimination of the old-style division of labor, blind market competition, and the slavery of people by the relation of commodities and money, the realization of the leap from the realm of necessity to the realm of freedom in social relations of mankind as predicted by Marx and Engels is for the future, and cannot be achieved at present.

On the question of the relation between the value of socialism and its material base, we should also take note of China's unique national conditions. Theoretically, the value of socialism is suited to its material base, and is built on the material and technological basis prepared and fully developed in the previous stage of developed capitalism. If socialism is built in countries where capitalism is not well developed or even in countries prior to capitalism, then the value of socialism has to be based on a rather undeveloped material base. The imbalance between the two naturally affects to a great extent the development of socialism and restricts the realization of its value. In China, the situation is just like this. For us, the value of socialism is by no means fruit on the tree ripe enough for us to pick. The key to the question lies in creating a solid material base for the full realization of the value of socialism. Just as pointed out by Deng Xiaoping, in the historical stage of socialism, the major task is to develop the social productive forces.

Secondly, our concept of the value of socialism should become a scientific understanding of values.

The realization of the value of socialism depends on whether we can foster a correct concept of the value of socialism. The attribute of value (including the value of socialism) is objective, and is independent of the will and wish of appraisers. The concept of value refers to people's attitudes toward value, and is a criterion of orientation expressed in people's appraisal, selection and creation of value. The concept of value is not value itself. People's appraisal of value varies, but value itself is definite.

How to treat the relation between the value of socialism and its material base is a question of concept of value. On this question, what we need is not the attitude of subjectivism. For instance, some people totally ignore the restriction the material bases of socialism has on the value of socialism and, in changing production relations, believe that the higher the degree of public ownership, the more advanced it is, or strive for a unitary public ownership. They uphold the purity of this value of socialism at the expense of economic efficiency. Some others, while stressing the development of the material base, totally neglect the requirement of the value of socialism, and forget that the development of material base is realized under a certain social form. Both attitudes toward values are undesirable.

A correct concept of value is value appraisal and selection built on the basis of a more objective understanding of the object of appraisal. For instance, in changing specific production relations in a socialist society, what kind of production relations really are the most valuable to us? A proper evaluation requires us to understand the restriction by the material base (productive forces) on production relations. Only production relations that suit the nature and conditions of the existing productive forces are really what we need and are really valuable to us.

Third, it is necessary to distinguish socialist values from the practice of the current program of actions.

To evaluate socialist values properly, one has to understand that the realization of socialist values should not at any time go beyond restrictions of the existing material base on the values. In our country today, this realistic base is the initial stage of socialism. In this initial stage there are numerous economic sectors with socialist public ownership as the principal part. The values pursued by the undertakers of various economic sectors (relations) (such as, the staff and workers of state-run enterprises and collective enterprises, proprietors of private enterprises, and self-employed workers) are different entirely, but these pursuits of different values are in one economic system. How should we deal with the pursuits of different values within the system? What are the relations between them? These all await our exploration.

As we know, socialist values are to eliminate exploitation. Therefore, allowing private economy to exist and develop in a socialist society always seems to run counter to the concept of pure socialist values, but the materialist concept of values rejects such an abstract comment, and requires us not to deviate from the realistic material base in evaluating values. Judging from these points of view, people will reach the following conclusion: Given the level of existing productive forces, the socialist material base can develop relatively fast only by allowing a private economy which is conducive to the national economy and the people's livelihood to exist on a limited scale as a supplement to the socialist economy on the precondition of upholding the dominant position of the

socialist public economy. This kind of development is the decisive condition for further realizing the contents of socialist values.

In this complicated situation, what should we do to make communist party members both uphold the concept of socialist values and, at the same time, refrain from making this upholding an obstacle to the further development of the social productive forces, that is, the material base of socialist values? This makes it necessary to distinguish the concept of socialist values from the party and government practice of the current programs of actions. As a communist party member, his conviction of communism should be unshakable. This belief is based on the affirmation of the socialist values that eliminate exploitation, liberate the proletariat, and finally liberate all mankind. If he denies this concept of values, he then has no faith in communism and is no longer a communist, but much of the content of socialist values discussed here is only a kind of ideal of values. The transformation of ideal values to reality needs objective conditions, that is the collapse of capitalist production mode and the great development of productive forces, thus making it possible for people to completely wipe out the old division of labor and the slavery of people by the relations of commodities and money. It is only on this basis that people can establish such a production organization the value of which is to meet the needs of people who act as the subject—to make people engage in production and live their life under a genuine condition for human survival. What should we do to solve the great contraction between the lofty ideal of values and existing backward economic development? It depends on developing production, and includes the utilization of all nonsocialist sectors of the economy. Orientations of values that are contradicting and antagonistic to each other cannot coexist in communist party members, in his world outlook and concept of values; different sectors of the economy that pursue different values, however, can coexist in the practice of the current program of actions of the party and in the policies of the party and government. The basis of coexistence is to benefit the development of socialist production. Communist party members agree with the current program of action, and focus not on the value orientation of the private economy (therefore, communist party members should not take part in the exploitation of surplus value), but on the possibility of the existence and appropriate development of the private economy to strengthen the socialist material base. Thus, in the final analysis, this is conducive to the realization of socialist values. This does not contradict, but agrees with the belief and concept of values of communist party members.

QIUSHI on 'Life Consciousness' in Literature

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[Article by Yan Zhaozhu (0917 2507 2691): "Commenting on So-Called 'Life Consciousness' in Literature and Art"]

[Text] Since the middle of the 1980's, so-called "life consciousness" has acquired great fame and become popular among people in the field of literature and art and has had influence on the theories and creations in literature and art in many aspects. What sort of ideological theory or literature and art concept is this "life consciousness"? Does it have a positive or negative influence on China's literature and art? Here it is necessary to conduct realistic investigation and give realistic comments.

I.

In fact, the so-called "life consciousness" that has been popular for several years is not just a literature and art concept, it also touches on a series of wide-ranging and complicated issues involving life phenomena and social history.

First, so-called "life consciousness" is a kind of theoretical reply or theoretical stipulation to the basic questions concerning the surrounding world, social history, and value of life. It advocates the idea that man's life and the consciousness of "self" survival should be the foundation and origin of everything in the universe. For instance, some people say: "Whether it be nature, social history, material products, or spiritual products, all are created by man as the main body for self-survival." "Objects (nature, society, history, material products, and spiritual products) are but a collection of man's life force." That is to say, man comes before everything and creates everything. "Man's life force" is the origin and essence of everything in the universe. The purpose of the consciousness of man's "self-survival" regulates and creates the objective world, and is the fundamental reason for the existence of the objective world and the basic motive force of development. Obviously, this is not just an out-and-out idealist philosophical world outlook, but manifests the characteristics of the theory of taking "self" as the center. Naturally, the theory makes a logical presentation of such a value concept and advocates the so-called "complete eruption of the individual life." That is, "no individual should be restricted by the external sense of responsibility and material achievement, and should regard exclusive loyalty to himself and self-realization as the ultimate achievement of his life." Based on this idealist concept of value, so-called "life consciousness" can openly play the melody of "anticivilization." To use the words of an advocate, so-called "civilization is a camouflage and, without the disillusion of civilization, there would no liberation of man's life." It should be pointed out that following this theory and logic, some advocates become more and more open and blunt by summing up "life consciousness" as "sex consciousness." For instance, some people say: "Life consciousness does not only mean sex consciousness, but sex consciousness is the essential element in life consciousness." Some people put it more specifically and say that the phenomena of "losing one's 'virginity' before marriage or having an extramarital affair" are only a "search for the realization of individual significance in the original desire of life" and should be approved. Some

people would use *Lady Chatterly's Lover* as an example, saying that "since Lady Chatterly's husband cannot satisfy her basic demand of life, she wants to look for a lover, to go to bed. Is this not a sense of social responsibility? Is this not a kind of liberation of human nature?" Some advocates bluntly summarize the term "life consciousness" into one sentence for publicity, saying, "there is a root between two legs."

Second, using the philosophical idea mentioned above as the foundation, so-called "life consciousness" becomes the theoretical stipulation for the noumenon and the essence of literature and art. For instance, some people argue that "the real noumenon of art can only be the noumenon of mankind" and that "art in effect constitutes the highest philosophy of survival." Therefore the essence of art "lies in the purity of life consciousness." That is to say, "you must wake up your life consciousness and let the nature of your life roam freely, so that you may gain liberation and freedom in the net of survival." However, since this so-called "philosophy of survival" is devoid of historical development and social liberation, is this not just empty talk? The people who hold this opinion announce that you "can have liberation and freedom if you 'let the nature of your life roam freely.'" This is simply too ridiculous. Marx pointed out long ago: "Of course, eating, drinking and sexual behavior are truly human functions, but if we separate these functions from other activities of man and make these functions the final and single ultimate objective, then these are just animals' functions in abstraction." (*Collected Works of Marx and Engels* Vol 42, p 94) This means that mankind cannot "obtain liberation and freedom" by depending solely on this "pure life consciousness" or by merely "letting the nature of life roam freely." In fact, doing this will only lead to retreating to the condition of other animals. If so, there is no need to talk about art, and discussions of the essence or noumenon of art will even be out of the question. Another advocate suggests that the nature of art is "an expression of the freedom of life made by mankind in an attempt to satisfy its need to have happiness in life and to satisfy its impulse of self-realization," and that it is "man's confirmation of the state of his natural life and the state of his perceptual experience (including his actual experience)." The state of natural life is "mainly exhibited in the form of physiological potential and primitive impulse." This state of perceptual experience is "often the territory of unconsciousness." Based on this reasoning, these people say that "there is no doubt that art does not belong to the essential being of ideology." It is true that in literature and art creation, sometimes it is possible to have a certain degree of intuitive expression. However, this intuition is often made on the basis of rationality. In general, rationality plays a major or leading role in the entire process of literature and art creation. Yet this advocate describes literature and art creation as "the state of natural life," pushes the "noumenon existence" of art into the field of irrational and primitive impulse and unconsciousness, and proceeds to completely deny the ideological essence of

literature and art. This is against the basic reality of literature and art. In addition, this will also lead literature and art onto the wrong path of irrationalism.

Third, so-called "life consciousness" has been adopted as a kind of "modern consciousness" that would define the development path and the social effect of our literature and art. To borrow the words of some advocates, "the fundamental way out for literature in the new period depends on our waking and amplifying the consciousness of the freedom of life." How do they find this "way out" and how do they stipulate it? According to them, "the rationalization, dogmatization, and moralization of the force of life is the deep-down reason contemporary literature lacks modern consciousness and individual consciousness." In addition, they add: "The lowly status, the expropriation of the right to participate, the suppression of the vigor of life, the ensuing feelings of bewilderment, loss, oppression, distraction, confusion, and hopelessness, and the 'disease of the century' since the opening of the nation's door—the consciousness of absurdity, begins to infect young people who are more sophisticated. The philosophical content of this consciousness is: Existence is meaningless and life is meaningless." This is some people's diagnosis of China's "contemporary literature" and "literature in the new period." Immediately come the prescriptions. Some say: We should have a "remote sense of identity" and "a new passion" for the modern artistic ideology of the West, "change our image as the 'world's abandoned child,' and return to the world." Some say: We must accept "modern consciousness' approval of man's own desire." Some say: We should, "through different angles and different levels of antitradition, rebuild the life and character of the contemporary Chinese from the ruins of traditional culture." That is to say, there should be "a profound sense of suffering and tragedy in the extreme individualization of the noumenon of man and of the fate of mankind," "a learning experience of death—the eternal boundary of life," or "a deep feeling for the unknowable future and for the nothingness of life" before we can acquire the "essence of life." Summarized in one sentence, this means that "to live as a man we must choose complete Westernization." To these advocates, defining the extreme essence of so-called "life consciousness" means promoting national nihilism and complete Westernization in culture.

II.

The three areas mentioned above summarize the theoretical contents of "life consciousness," popular a few years ago. If we make further observation we will discover that these theoretical contents all originated from the modern West. Their theories are mainly influenced by the theory of the will by Schopenhauer and Nietzsche, Parkinson's life philosophy, Freudianism, and existentialism. The theories, in fact, are a hodgepodge of modern bourgeois doctrines.

As we know, Schopenhauer concludes that the origin of all things is the unconscious "willpower of life," which is

a "blind, unstoppable impulse." The basic characteristic is the demand to survive. "All forms and shades of things in this world are the manifestation and objectivity of this willpower." He believes that man's willpower of life is stronger than the rationale of man; rationale is will's tool and is totally submissive to will. To him, man's life is like a small boat that is propelled by unlimited desire and is struggling in the boundless, difficult sea. It is painful when we cannot satisfy our desire; yet after the desire is satisfied it is still painful because we will feel "lonely, empty, and weary." The essence of life is pain; there is no value and no significance in it. Therefore, he denounces optimism as hypocrisy and reaffirms that only pessimism can reveal the truth of life. From this he finally comes to the gloomy pessimism that denies life.

Nietzsche inherits Schopenhauer's theory of the will. However, he changes the will of meeting the exclusive demand of survival to the "will to power." He emphasizes that "the major pursuit of a living thing is the ability to liberate itself—life in itself is the will to power." This transforms Schopenhauer's gloomy pessimism into a philosophy that advocates unlimited self-expansion and appeals to force. To him, the foundation of an individual life is the will to power. Therefore, the instinct of the individual is to benefit oneself, and the principle of life is by all means to grab power and expand oneself and without reservation to subjugate dissidents by force and to trample on weaklings. His extreme egotism later develops into the so-called "superman" philosophy that despises and curses the masses.

Parkinson also concludes that the foundation and the essence of the world is "the impulse of life." He emphasizes that the deep layer of man's consciousness consists purely of irrational activities, unanswerable to certainty or regularity yet commanding man's rationality. He believes that externally perceived impressions, feelings, and concepts belong to the superficial level of consciousness, which has no vitality and is not owned by the individual. The concepts and emotions that we acquire through the process of education and learning only constitute the "parasitic self" and the "parasitic self" gradually creates a thick shell covering our true affection." As a result we willingly do things that are basically not what we want to do at all. Parkinson asks people to break through the restriction of rationality and let the life impulse in our instinct realize absolute individual freedom.

Freud further suggests the conscious, preconscious, and subconscious, the three layers of the structure of mind. He believes that the subconscious stays in the deep shadow of our mind and dominates our thinking and actions. Later he adjusts his theory of personality structure; it is divided into id, ego, and superego. He emphasizes the id—made up of instincts, particularly the sex instinct, that submits to the principle of pleasure seeking, and the death instinct, with the impulse to exterminate, destroy, and invade. He believes that the ego regulates the confrontation and conflict between the id and the superego; and that the id, meaning the subconscious and

the libido impulse, is the inner drive hidden behind man's action. The exaggeration and advocacy of the subconscious and the libido have further encouraged the rampant growth of the Western ideology of irrationalism, and cast a heavy shadow on the development of the life and liberty of mankind.

If Schopenhauer and Nietzsche are considered the first generation of irrationalism in contemporary Western philosophy, and Parkinson's life philosophy the second generation, then existentialism is the third generation. Existentialism takes the isolated individual existence as the only real existence, and that individual existence can be summarized as irrational and purely conscious activities. It stresses that "man is free" and that the essence of man is that man is absolutely free to have self-definition, self-choice, and self-achievement, without any restriction by the objective environment. The ideology casts the individual against other people and against society. It believes that "hell is other people"; only when the individual opposes others, and only when he feels desolate, anxious, afraid, and hopeless, to the point that he is face to face with death, can he truly exist. Because the fact that the world exists is coincidental, ridiculous, hopeless, and nauseating. Between men there is only estrangement, coldness, and hostility. The individual has no place to go back to and is completely isolated. Life is filled with never-ending suffering, and it is destined to be tragic.

All these beliefs, are they the sources of the so-called "life consciousness" that was popular in the literature and art field a few years back? It is obvious that this is not common "modern consciousness," this is only a special ideology in the Western contemporary capitalist world. These varieties of theories on the ideology of irrationalism are the products of the worsening social and spiritual crises in modern capitalism; they should be, and can be explained by the existing conflicts in the material life in contemporary capitalist society. Modern capitalism basically strangles man's life and causes people to suffer, widely and deeply, from spiritual pain. In Saul Bellow's novel *Herzog*, the hero laments: "I thank the Lord for giving me life, but where is the meaning of this life? Where, indeed, is the meaning of a man's life, the only thing I can rely on for my survival?" The French poet Parnassis and later the symbolists also ask despairingly: What are we living for? Why are we given such a stupid thing as life? Why are we born in the age of cultural destruction? ...The modern Western ideological trend of irrationalism exactly reflects the theory of crisis. Here, on the one hand, these theories express their strong disapproval of the maladies in modern Western society. Yet on the other hand the theories themselves are not scientific; they cannot surpass individualism, which is the center of the capitalist ideological system. Moreover, they are trapped in historical idealism and fall into pessimistic decadence and despair. They have not touched upon the root of Western society's maladies—the very existence of the capitalist system. They merely change the crisis of capitalist society into individual,

"inborn" psychological conflicts; or they propose that mankind indulge in the individual's primitive instincts, to become antisociety, antidiscipline, antimorals, anti-civilization, to proceed with boundless self-expansion, and to search for absolute personal freedom. Naturally, this is not the way to find the real future of man's liberation. In the end the fall into the abyss of pessimism will be inevitable.

III.

We must point out that presenting the modern Western ideological trend of irrationalism as "modern consciousness" and, in the name of "life consciousness," "systematically transplanting" the ideology to China's socialist literature and art arena is fundamentally a mistake of the era. The theory will definitely contradict and deny the leadership of Marxism-Leninism-Mao Zedong Thought in the literature and art field, encourage the mistaken belief that literature and art "do not belong to the ideology field," and in practice advocate the modern Western capitalist standpoints on the world, life, value, and literature and art. This has brought extremely negative influence to the creation of literature and art. Under the influence of so-called "life consciousness," various unhealthy tendencies in the world of creativity began to appear a few years ago.

First, there is the tendency of "returning to nature and returning to the individual." Works of this tendency deny the social nature of man and express the naturalness of man as abstract human nature. For instance, one work portrays the sexual intercourse of a boar and a sow and simultaneously describes the encounter and intercourse of a widow living alone in the woods with a bee keeper. One work describes the natural needs of a male wolf and a she-wolf and at the same time has a hunter, without question, accepting a "woman from city" and "engaging in that kind of activity" with her, and their passing a decade in that manner. There is hardly any difference between man and animal.

Second, there is the tendency of "nonmoralization and nondogmatization" and of worshipping the sex instinct and the libido. This tendency views social morals and civilization as restrictions on life. For instance, one work depicts the hero and heroine feeling ashamed of themselves while indulging in carnal pleasure, and the more they feel ashamed of themselves the more they want to be liberated through sexual indulgence. One work depicts incest between a father and daughter, and in the rational and moral environment they have no choice but to burn or drown themselves.

Third, there is the tendency to transplant the modern Western philosophy of existence directly into Chinese society. Some people express the so-called "modern man's" feelings of desolation, absurdity, ridiculousness, and confusion; and portray life in the socialist era as cold, painful, and wretched. From there they advocate self-expansion or exaggerate extreme emotions against society, against order, and against tradition.

Needless to say, all these tendencies do not fit in with reality or with our socialist epoch, and run counter to the spirit of the socialist era. People get no education, inspiration, healthy entertainment, or aesthetic enjoyment from the literature and art that reflect or represent these tendencies. Neither can this literature and art stimulate the masses into participating with enthusiasm in the great struggle of socialist construction. On the contrary, these types of works pollute, on various levels, the people's minds and damage the building of socialist spiritual civilization. This fully reveals that theoretically so-called "life consciousness" is basically wrong and in practice it is pessimistic and harmful. We must eradicate this so-called "life consciousness."

IV.

There are several reasons why so-called "life consciousness" was able to take over the literature and art field in China. The major reason was the rampage of the ideological trend of bourgeois liberalization. We may say that this is how bourgeois liberalization presents its abominable influence. At the same time "life consciousness" provides the ideological and theoretical basis for the rampant liberalization trend. Therefore, persistently proceeding with the education and struggle against bourgeois liberalization is the essential premise if we are to eradicate this "life consciousness," because so-called "life consciousness" focuses on the problem of "man," challenges Marxism-Leninism-Mao Zedong Thought on the concepts of the world, history, value, and literature and art, and challenges socialist literature and art. Therefore, to really conquer this incorrect ideological trend we must combine reality with learning, utilizing, upholding, and developing Marxism-Leninism-Mao Zedong Thought, and guide and promote the prosperity of socialist literature and art.

Therefore, what is the cardinal view of Marxism-Leninism-Mao Zedong Thought on the series of basic issues derived from so-called "life consciousness"? Here is my superficial understanding of the issues.

First, life is a form of material movement. Engels pointed out: "Life is the result of the entire natural world... Protein, the only independent bearer of life, is born under prescribed conditions provided by the connections of the whole of nature" (*Collected Works of Marx and Engels*, Vol 3, p 528). Natural science has repeatedly proved that long before life appeared, the inorganic natural world objectively existed. Life is a product of the long-term development of the natural world. Life, after its birth, becomes a form of material movement. Life itself develops from low level to high level, until mankind is created, and accomplishes the leap from the natural world to society. Therefore, on the essence and origin of life, we uphold the viewpoint of dialectical materialism. Those who believe that life creates everything and conclude life to be "survival consciousness" or "survival will power" prefer the interpretation that basically opposes the objective facts and scientific truth, and they are totally wrong.

Second, man is different from other animals; society exists right from the beginning and man cannot exist without society. Of course man has various natural qualities, and from this standpoint man belongs to the natural world and exists in the natural world. However, the essence that differentiates man from other animals is not the naturalness of man, it is the social character. Just as Marx pointed out: "The essence of man does not mean the abstract being belonging to an individual. In reality, it is the sum of all social relations." (Ibid, Vol 1, p 18) Therefore it is inconceivable that a living individual may exist in solitude and be separated from all social relations. This type of imaginary individual does not exist in reality; he is only a mirage. The suggestion of leaving the defined social pattern and historical development to look for "the awakening and liberation of pure life consciousness" is either empty talk or a lie.

Moreover, man's life activity, the individual's ability, and the realization of this ability develop historically. This development coincides with the level of social liberation and is also the historical result of social liberation. Based on this interpretation Marx conceived the three historical stages of the individual's development. They are "Man's dependent relationship," "man's independence based on dependence on materials," and the "sense of liberty derived from the establishment of the individual's overall development and of the productivity of society shared by all individuals." Of these three stages, the second stage has been reached by capitalist society, but the "second stage creates conditions for the third stage"; that is, creates conditions for communist society. (*Complete Works of Marx and Engels*, Vol 46, p 104) Therefore, to observe man's life activity and the individual's overall development, we must adopt the social and historical viewpoints. Simply advocating the nonsocial and nonhistorical viewpoint of so-called "pure life consciousness" or "survival consciousness" is not only illusory but also ridiculous.

In addition, within the historical progress of the individual's overall development, capitalist society has its historical impact as well as serious limitations. Compared with feudal society, capitalism has greatly promoted the individual's development. However, because of its inherent basic conflicts, its development of "man's independence" is in fact "based on the dependence on materials" and as a result the development of the individual is deformed, one-sided, and controlled by materials. This lopsided individual is reduced to slaving for materials. This condition will become more serious, intense, and deep once capitalism enters the stage of decline. Early in the middle of last century Marx pointed out: "During our time it seems that everything contains the opposite side of the matter itself. We see that machines have the magic power to cut down the workload for mankind and make labor more efficient, yet they also lead to hunger and overexhaustion. Newly discovered sources of wealth can, because of some strange and inconceivable magic power, turn into sources of poverty. Victory in technology seems to come at the price of

moral decay. As mankind becomes more and more capable of controlling nature, more often than not the individual becomes someone's slave or a slave to his own despicable conduct. Even the pure light of science seems to shine only on the dark background of stupidity and ignorance. It appears that all our discoveries and progress result in giving material power a rational life and turning human life into stupid material power. Modern industry and science confront modern poverty and deterioration. The productivity of the contemporary era confronts social relations. These are obvious, inevitable, and nondisputable facts." (*Collected Works of Marx and Engels*, Vol 2, p 78-79) Since the beginning of this century these confrontations have not disappeared; they have, in fact, become intensified. This is the social origin of the irrationalism and pessimism popular in the modern West and of the spiritual crisis that was nonexistent before. When people in the modern West utter in sorrow that "man has no home to return to," "life is meaningless," "there is no future in mankind," and "this is the fin de siecle," China's promoters of "life consciousness" advocate a "remote sense of identity" and say that "to live as a man means choosing total Westernization." Is this not most absurd? History has already proceeded to the stage of a great transformation, and socialism has already become the theme of this age and has been realistically put in front of us. Only when we abolish the man-exploit-man and man-oppress-man capitalist system, and only when we follow the socialist path can we liberate social productivity and the whole of mankind, and advance mankind to the brand new world of individual comprehensive development and of "free individuality," the never-before-seen liberation of life. Of course, to realize this great change, we have to pay for

it with great sacrifices; we may even suffer serious but temporary setbacks. Socialism, however, will ultimately replace capitalism, and the future of mankind will always remain bright.

Finally, we should point out that literature and art belong to a special type of social ideology. Certainly they have to portray the richness and the many colors of the world. However, definite social relations and their historical development should be the major objects portrayed. Only then can literature and art reflect people's social lives, exert a positive influence on their spiritual forms, and effect their practical works in life. Therefore, those who advocate "pure life consciousness," who want literature and art to appeal to man's biological instincts, and focus on expressing and encouraging man's primitive impulses and carnal desire, have obviously committed blasphemy against literature and art and against man's spiritual life. Our literature and art aim to serve the people and socialism. Literature and art work hard to portray and create a generation of new socialists, who are full of vitality and are vigorously creating history. Literature and art also work hard to reflect and promote the development and growing maturity of the new relations in socialist society. Hence, socialist literature and art will definitely open up and create a state of new aestheticism with historically new quality, and encourage billions of people to sing loudly and march forward on the socialist path. We can say with a clear conscience that our socialist literature and art are odes praising the hard-working creators of history and praising the spirit of the socialist age, and that they make a real contribution to the life of the modern age.

Security Ministry Official on ID Card Policy

OW1003084292 Beijing XINHUA Domestic Service
in Chinese 2146 GMT 9 Mar 92

[Interview with unidentified responsible person of the Ministry of Public Security by unattributed XINHUA correspondent; place and date not given; "Detailed Rules for Implementation of Residents Identification Cards"—XINHUA headline]

[Text] Beijing, 10 Mar (XINHUA)—Today this agency reporter interviewed the responsible person of the political bureau under the Ministry of Public Security on issues relating to the "Rules for Implementing the Regulations Governing Resident Identification Cards of the People's Republic of China."

[Question] It has been learned that Articles 44 and 45 of the "Rules for Implementing the Regulations Governing Resident Identification Cards of the PRC" have been amended, changing the regulation that a citizen receiving his resident identity card for the first time need not pay for the document's production cost to read that a citizen receiving his resident identity card for the first time should pay for the document's production cost. Will you comment on this?

[Answer] On 3 December 1991, the State Council made some major amendments on Articles 44 and 45 of the "Rules for Implementing the Regulations Governing Resident Identification Cards of the PRC," changing the stipulation that a citizen receiving his resident identity card for the first time "need not pay for the document's production cost" to read that a citizen receiving his resident identity card for the first time "should pay for the document's production cost." In addition, it has stipulated that "the amount of production cost of a resident's identity card will be decided by the State Administration of Commodity Prices and the Finance Ministry." Let me talk briefly on these issues.

China began implementing the system of resident identity cards in 1984. As of now, some 780 million citizens of over 16 years of age across the country have obtained their resident identity cards, accounting for 93 percent of the total who should have been issued the cards. In the seven years since the implementation of the system of resident identity cards, the resident identity cards have played their outstanding role in proving the citizens' identities; in safeguarding the citizens' legitimate interests; in providing convenience for the citizens to participate in political, economic, and other social activities; and in maintaining social order.

Article 2 of the "Rules for Implementing the Regulations Governing Resident Identification Cards of the PRC" stipulates: "In accordance with the stipulation of this article, Chinese citizens over 16 years of age residing within the PRC's territory should apply for the PRC's resident identity card." It specifies that a citizen's application for the document according to law is a citizen's duty under the state law. When the cards were issued

collectively, we used up enormous funds as we needed to involve massive human and material resources; at that time, financial organs and departments at various levels footed the major expenses for the work on card issuance. At present, the work on resident identity cards is under routine issuance and administration. Henceforth, citizens applying for or changing their resident identity cards will need to pay for the necessary documents' production cost. Consequently, applicants' legal concept and consciousness as citizens will be strengthened so that they will self-consciously execute their duties according to law. Meanwhile, the system of resident identity cards, as a part of the state law, will also be consolidated and improved, and the management of its daily routine work will be upgraded. Moreover, it is a common international practice that citizens applying for legal resident identity cards pay for the documents' production cost. Therefore, I believe that the broad masses of people will understand and support the amendments.

To strengthen the administration and supervision over fee-collecting work on resident identity cards, Article 45 of the "Rules for Implementing the Regulations Governing Resident Identification Cards of the PRC" stipulates: "The amount of the production cost of a resident identity card will be decided by the State Administration of Commodity Prices and the Finance Ministry. All revenues received in this regard will be termed as part of the localities' revenues within the budget and will be totally handed over to the treasury."

[Question] How much will a citizen applying for or changing his resident identity card for the first time have to pay for the document?

[Answer] The State Administration of Commodity Prices and the Finance Ministry have formulated the fee for a resident identity card according to its production cost. A resident residing in general areas applying for or changing his resident identity card for the first time should pay renmibi five yuan for the document; whereas a resident residing in the economic special region should pay renmibi 10 yuan. In light of certain citizens in poor areas having difficulty in paying for the fee, we have made special rules in reducing or totally exempting—according to circumstances—the fee for those who really cannot afford to pay. Specific stipulations on reducing or totally exempting the fee will be formulated by various provincial, autonomous regional, and municipal people's governments.

[Question] What are the fees for replacing lost identity cards?

[Answer] Citizens applying to replace lost identity cards should pay double the amount of the document's production cost. In other words, a resident residing in general areas replacing his resident identity card should pay renmibi 10 yuan for the document, whereas a resident residing in the economic special region should pay renmibi 20 yuan. This stipulation is also aimed at strengthening the citizens' consciousness in applying for

and using the document so that they will self-consciously value and safeguard their identity cards.

[Question] What aspects of work on residents identity cards should be strengthened following implementation of the system of charging for their routine issuance?

[Answer] After implementing the system of charging for the routine issuance of resident identity cards, public security organs at various levels should continually perform well in administration work; should improve various rules and regulations; should do a good job in

serving citizens 16 years of age or over for the application, receipt, changing, and replacement of resident identity cards; should strive to shorten the time-period for issuing the document; and should improve the document's quality so as to enable the masses to obtain their documents promptly. In addition, we should promote propaganda work among the broad masses of people, urging them to value and safeguard their identity cards and try their best not to misplace their documents; and should ensure that resident identity cards will better serve the needs of reform and opening up as well as play their role in realistically safeguarding the citizens' legitimate interests.

Editorial On Preparing for Admission to GATT
92CE0404B Taipei CHING-CHI JIH-PAO in Chinese
25 Mar 92 p 2

[Editorial: "On Preparing Well for Readmission to the GATT"]

[Text] It is reported that the GATT is likely to begin discussions in the near future on the simultaneous admission of Taiwan and the PRC to its ranks, which will bring the beginning of a resolution to this long-unsettled issue.

While if this report becomes a reality, it will mean a breakthrough for Taiwan's economic diplomacy from its tight blockade by the PRC, we must not forget that membership in the GATT will bring the responsibilities and obligations of free trade. How to adjust our pace of liberalization, so that we in Taiwan can continue our sustained progress and prosperity after we join the GATT, is a matter that will require our urgent efforts. We feel that we will have to deal properly with at least the following key issues:

1. The relationship between GATT membership and Taiwan-PRC trade activities: Regardless of the order in which it occurs, Taiwan and the PRC will sooner or later both become members of the GATT. The GATT principle of nondiscrimination, i.e., that trade measures that any member takes toward any country (not limited to members) must immediately and unconditionally be applied to all members, will mean that Taiwan's policy of prohibiting direct trade with the PRC is likely to be challenged. Under these conditions, if Taiwan-PRC relations have still not actually advanced to an intermediate stage of a national reunification program, and we find it necessary to maintain our current policy, we will have to have made suitable preparations for dealing with the challenge.

One possibility would be to propose a "reservation clause" when we join the GATT. GATT Article 21 allows members to adopt policies that exclude the general rule on trade liberalization "during periods of strained international relations." As such is the case, Taiwan should propose such a clause to sound out the response of the various member nations when holding bilateral or multilateral discussions on our membership, instead of making it an unexpected demand just as we are about to be admitted. Without such preparations, the other member nations might not understand when the time comes for international consultation, a sharp domestic debate might arise over Taiwan-PRC relations, or there might be a very adverse impact on our chances of joining the GATT;

2. The shock to domestic industrial (particularly farm) policy from having to abandon many existing trade protection measures, in order to satisfy GATT membership obligations: For instance, measures, such as the prohibitions on Japanese car imports, the quotas on Korean automobile imports, the stipulation that public

institutions must assign standard purchasing areas in accordance with government need, and the prohibitions on or automatic restrictions against certain regions of imports of some agricultural products, will all have to be revised. In the area of tariff regulations, as there are 21 GATT member nations that do not enjoy Taiwan's line two (preferential) customs tariff rate, we must revise the regulations to allow them to enjoy this preferential tariff rate.

In addition, as agricultural problems are the key item under discussion at the current Uruguay Round of trade talks, if the time comes when an agreement is reached on removing nontariff barriers and freezing or reducing farm subsidies, Taiwan will also have to comply. As negotiations on lifting restrictions on service industry markets are also on the agenda of the Uruguay Round, if the time comes when an agreement is reached on including service industries (invisible trade) in GATT standards, many of Taiwan's measures that exclude foreign countries from participating in our domestic service industry markets will also have to be revised, just like farm subsidies.

These revisions will be basically more favorable to Taiwan's economy than not, and are ones that should have been made long ago but have never been due to a variety of reasons. As we are now determined to join the GATT, while we should show our sincerity by accepting its standards and completing our liberalization revisions, instead of concocting various pretexts to essentially evade assuming our GATT obligations, government revisions will have wide repercussions, so that arbitrary changes should not be made with absolutely no preparation. Instead, we should take advantage of the opportunity to carry out an overall examination of our trade, farm, and service industry policies, bring them into line with the spirit of liberalization, and make the case for revision being an improvement;

3. While Taiwan is in an intermediate stage of development somewhere between a developing country and an industrialized nation, in light of our trade might and despite our struggle to win GATT support as a developing country, the time is very likely to come when the United States will move that we join the GATT as an already developed or industrialized nation. In addition, when struggling to win support as a developing country, it will also be possible for Taiwan to gain votes by providing preferential tariffs. If Taiwan does not win the rights of a developing country in the GATT, we are likely to face stiff competition with cheap imports from developing countries.

This would absolutely not be a bad thing. In the current international division of labor, Taiwanese products are actually already subject to competition with those from labor-intensive countries, so that we are already in the process of adjusting and converting. We must now make psychological preparations by conscientiously accepting our responsibility to join the GATT as an already developed country, instead of regretting it when it does

occur, and concocting various pretexts or adopting a distorted exchange rate policy, in order to thwart the lifting of restrictions on domestic markets;

4. The sizeable manpower and material investment that will be necessary to get through the complex procedures needed for joining the GATT: GATT Article 33 stipulates that after receiving an application, the GATT Council must form a working group to examine and verify the "foreign trade system memorandum" provided by the applicant, and to hold discussions with the applicant to determine whether the Council will provide a "membership draft protocol." Moreover, the applicant must also hold bilateral talks with the individual members until more than two-thirds of them are satisfied with their results and consent to the membership draft protocol provided by the Council. To succeed in joining the GATT, we will have to invest a considerable amount of manpower and material, prepare our data well, and make preparations in advance for holding the many negotiations.

While joining the GATT will naturally be an occasion for joy, it will be even more important that we do not misunderstand GATT membership as simply a right without necessary obligations, or mistakenly think that we can rely on U.S. intercession alone to get through GATT procedures easily. To assume our obligations, as many policies must be and should long since have been revised, now is the right time to take advantage of the opportunity to carry out a comprehensive examination of our policies. We must also find a legal basis in existing GATT standards for the policies that we have to maintain. As all of these matters will require hard work and full preparations, the concerned government departments will have to enhance their interdepartmental coordination and endeavor to fulfil their tasks.

Editorial on Solving Construction Plan Problems

92CE0404A Taipei CHING-CHI JIH-PAO in Chinese
13 Mar 92 p 2

[Editorial: "Problems in the National Construction Plan That Are Demanding Prompt Solutions"]

[Text] The investment in public construction lagging behind the demands for rapid economic growth and higher standards of living for many years, has caused the phenomena of traffic congestion and environmental deterioration. While the "6-Year National Construction Plan" put forth by the government in early 1991, which was premised on improving the quality of life and turning Taiwan into a modern nation, won public approval very quickly, it also raised many doubts due to the inevitable difficulties and problems that will be encountered in trying to completely remedy in 6 short years the many years of lagging public construction. In fact, as 1 year and 2 months have already passed since this plan was put forth in early 1991, one-fifth of the 6-year period is already over. As only ongoing projects are still proceeding, while very few significant new ones

are being started, and it is even being found impossible to push forward with a number of long-set plans, the National Construction Plan is obviously facing many implementation problems.

We understand that the National Construction Plan is facing at least the following three problems:

1. Investment and funding source problems: The Construction Funding Commission (CFC) has emphasized that the "6-Year National Construction Plan" will require an investment of \$NT8.2 trillion, of which \$NT1.9 trillion will be running expenses in areas, such as education, culture, and public welfare, which should be included in running expense accounts, with another \$NT2.1 trillion in funding sources coming from public institutional investment, which will be raised by public institutions themselves. Excluding these two amounts, the government's public investment will be only \$NT4.2 trillion, of which it is estimated that \$NT6 billion can be opened up to civilian investment, leaving a true government investment of only \$NT3.6 trillion. Moreover, as the government's running expense accounts have usually had huge surpluses, with such surpluses in the last 6 years averaging a high 6.5% of GNP, maintaining this percentage over the next 6 years would give the government a running expense account surplus of \$NT2.5 trillion, which would pay for 70% of the government's investment. Of the remaining \$NT1.1 trillion, as some could be paid for by income shifted from public institutions to private enterprises, so that only a limited amount of money would have to be raised by selling government bonds, the CFC does not consider funding to be a problem. But the actual situation is not as optimistic as the CFC's projection for the following reasons: 1) As to the government's running expense account surpluses, running expense revenue has not increased in keeping with economic growth in the last 2 years, while running expenses have increased sharply. The running expense account surplus has dropped sharply to less than \$NT60 billion in the 1992 FY budget, and even more sharply to less than \$NT30 billion in the 1993 FY budget that was submitted for deliberation to the Legislative Yuan just the other day. As the combined running expense account surplus for the first 2 years of the 6-Year Plan will be less than \$NT90 billion, it is likely to be only \$NT250 billion for the whole 6 years when estimated at this rate, or only 10% that projected by the CFC; 2) Past experience shows that the funding needed for most investment plans is underestimated at first and then increased steadily later on. For instance, the funding needed for the under-construction Expressway #2 North has already increased by 120%, while the budget for the high-speed railway increased from a little over \$NT300 billion to \$NT430 billion before it was even under construction; 3) The National Construction Plan lists only major investment plans, in addition to which government at all levels is responsible each year for many piecemeal investments, which are certainly not included in the National Construction Plan. Thus, in addition to the problem of the failure of the government's running expense surpluses to

live up to revenue expectations for the National Construction Plan, funding increases will also be unavoidable, so that funding shortages will far exceed original expectations. Unless a frank reassessment is made, and all parties are brought together to find appropriate funding source remedies, serious harm will be done to the national economy;

2. Land acquisition difficulties: The money games of recent years that have made land prices skyrocket, have increased not only public construction costs, but also land acquisition difficulties. For instance, the major reason why the under-construction Expressway #2 North is so far behind schedule is the long time that it is taking to solve the land acquisition problem. And the high-speed railway, which has received so much attention in the government's National Construction Plan, also cannot be included in the 1993 FY special budget because the land acquisition problem has not been solved effectively. In response to inquiries by legislative committee members in the Legislative Yuan, Premier Hao Po-ts'un, president of the Executive Yuan, also acknowledged that the National Construction Plan's greatest difficulty is the land acquisition problem. While the verdict of the National Economics Conference on the way to make a breakthrough on the public construction land acquisition problem was to recommend that "Land Tax Regulations" be drawn up to acquire public construction land through a district tax form, the current legislative inefficiency and upsurge of public opinion leave little optimism over when such regulations might be passed, and whether there would be an enforcement problem if they were;

3. Manpower shortages: The "6-Year National Construction Plan" estimates that while the shortage of technicians, managers, and common laborers was 50,000 in 1990, this shortage will drop to 40,000 by 1996, which will be the last year of the 6-Year Plan, with supply exceeding demand by 80,000 for technicians and managers, while the shortage of common laborers reaches 120,000. But the manpower shortage has actually

become very severe in the past year. In addition to the shortage of common laborers having become a widespread phenomenon, the large numbers of projects that have been proposed for the National Construction Plan have brought about an extreme manpower shortage as to project planners, designers, and construction workers, with the higher pay being offered to tap manpower potentials having caused an endless stream of problems. In addition, the CFC's projection on supply and demand of scientists and technicians for the coming decade is that, excluding overseas students, the supply of engineers and technicians with college degrees who are educated and trained in Taiwan each year will meet only 70% of the demand. This includes only 50% for electrical engineers and electronics technicians, and only 53% for construction workers, which shows the obvious severity of the manpower shortage. Even if we began now to expand our classes and set up more colleges, as male students have to perform military service, it would take 4-6 years for them to graduate, so that this would certainly be of no help in solving the manpower shortage for the National Construction Plan. It is thus obvious that solving manpower shortages is a matter that is crucial to the successful implementation of the National Construction Plan.

Faced with these problems and, until it has proposed specific feasible measures to solve them, the government really should not try to push forward fully with its existing projects for the "6-Year National Construction Plan." We recommend that the Executive Yuan appoint a special commission to make a comparative assessment on setting priorities for the feasibility, investment return rate, and urgency of the 775 planned projects in the National Construction Plan, to be directed at least at those that will require an investment of more than \$NT10 billion, and that it make appropriate plans for supplies of financial, land, and manpower resources, so that plans can proceed within the scope of capabilities. Only in this way can the negative impact of the National Construction Plan be reduced to a minimum, and its goal of improving the quality of life and turning Taiwan into a modern nation be fully realized.

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